OFFICIAL STATEMENT DATED JUNE 7, 2007

NEW ISSUE—BOOK-ENTRY ONLY **RATING: SEE "RATING" HEREIN**

In the opinion of Clark Hill PLC, Birmingham, Michigan, Bond Counsel, and in the opinion of the Attorney General of the State of Michigan, under existing laws, regulations, rulings and judicial decisions existing on the date hereof and assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions described therein and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel and the Attorney General are also of the opinion that interest on the Bonds is excluded from all taxation in the State of Michigan or a political subdivision thereof, except estate and inheritance taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein.

$6,435,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(RICHFIELD PUBLIC SCHOOL ACADEMY PROJECT), SERIES 2007

DATED: DATE OF DELIVERY **DUE: AS SHOWN ON INSIDE COVER**

The Limited Obligation Revenue Bonds (Richfield Public School Academy Project), Series 2007 (the "Bonds") will be issued by the Michigan Public Educational Facilities Authority (the "Authority") as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in denominations of $5,000, or any integral multiple in excess thereof and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System."

The Authority will use the proceeds of the Bonds to purchase a municipal obligation (the "Municipal Obligation") issued by Richfield Public School Academy (the "Academy"). The Academy, in turn, will use such proceeds for the following purposes: (i) to finance the acquisition of the Academy's existing educational facilities, acquire additional land and construct, equip and furnish an addition to such facilities (the "Project"); (ii) to fund a debt service reserve fund; and (iii) to pay certain costs associated with the issuance of the Bonds.

Principal of, interest and premium, if any, on the Bonds, and any Additional Bonds (as defined herein), are payable solely from funds pledged under a Trust Indenture, dated as of June 1, 2007 (the "Indenture"), between the Authority and Wells Fargo Bank, N.A. (the "Trustee), including all amounts required to be paid by the Academy pursuant to a Financing Agreement, dated as of June 1, 2007, between the Authority and the Academy (the "Financing Agreement") as further described herein under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Interest on the Bonds will accrue from the date of delivery and will be payable semi-annually on each March 1 and September 1, commencing September 1, 2007. Principal of and interest on the Bonds will be paid by the Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to DTC. Disbursements of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to optional, mandatory and extraordinary redemption as described in this Official Statement. See "DESCRIPTION OF THE BONDS – Redemption of the Bonds Prior to Maturity" herein.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY REPAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE AMOUNT OF STATE SCHOOL AID AVAILABLE FOR BOND PAYMENTS, RESERVE FUND PAYMENTS, AND DEBT SERVICE PAYMENTS ON OTHER LONG-TERM OBLIGATIONS OF THE ACADEMY IN ANY ACADEMY FISCAL YEAR SHALL NOT EXCEED 20% OF THE AMOUNT OF SCHOOL AID PAYABLE TO THE ACADEMY BY THE STATE IN SUCH ACADEMY FISCAL YEAR. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, BAY MILLS COMMUNITY COLLEGE (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, BAY MILLS COMMUNITY COLLEGE OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" AND "RISK FACTORS" HEREIN.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption "RISK FACTORS" herein.

The Bonds are offered when, as and if issued by the Authority and received and accepted by the Underwriter and subject to the approval of legality by Clark Hill PLC, Birmingham, Michigan, Bond Counsel, and the Attorney General of the State of Michigan, and certain other conditions. Certain legal matters will be passed upon by Collins & Blaha, P.C., Farmington Hills, Michigan, as counsel to the Academy and by Quarles & Brady LLP, Milwaukee, Wisconsin, as Underwriter's Counsel. Charter FS of Michigan LLC, Royal Oak, Michigan, is serving as Financial Advisor to the Academy, and Buck Financial Advisors LLC, Englewood, Colorado, is serving as a consultant in connection with the issuance of the Bonds. It is expected that the Bonds in book-entry form will be available for delivery against payment therefor on or about June 12, 2007.

AG EDWARDS℠

MATURITY SCHEDULE

$6,435,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(RICHFIELD PUBLIC SCHOOL ACADEMY PROJECT), SERIES 2007

$450,000 Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP
2008	$105,000	4.125%	99.930%	4.18%	594569BW4*
2009	110,000	4.250	99.847	4.32	594569BX2
2010	115,000	4.350	99.815	4.41	594569BY0
2011	120,000	4.375	99.670	4.46	594569CB9

$1,775,000	Term Bond due 09/01/22	Rate 5.00%	Yield 5.00 %	Price 100.00%	CUSIP 594569BZ7
4,210,000	Term Bond due 09/01/36	Rate 5.00	Yield 5.125	Price 98.109	CUSIP 594569CA1

* The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the Authority and is included solely for the convenience of the holders of the Bonds. None of the Authority, the Academy, the Trustee or the Underwriter is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Academy or the Underwriter to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy and, there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The descriptions of the documents in the Official Statement are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents.

The Trustee assumes no responsibilities for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE AUTHORITY (WITH RESPECT TO THE INFORMATION UNDER THE CAPTION “THE AUTHORITY” ONLY), THE ACADEMY, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

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$6,435,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(RICHFIELD PUBLIC SCHOOL ACADEMY PROJECT), SERIES 2007

INTRODUCTION

General

This Official Statement is provided to furnish information in connection with the issuance and sale by the Michigan Public Educational Facilities Authority (the "Authority") of its Limited Obligation Revenue Bonds (Richfield Public School Academy Project), Series 2007 in the aggregate principal amount of $6,435,000 (the "Bonds"). The Bonds will be limited obligations of the Authority as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. For the definition of certain words and terms used in this Official Statement, see "APPENDIX D – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS."

Purpose

The Bonds will be issued under a Trust Indenture, dated as of June 1, 2007 (the "Indenture"), between the Authority and Wells Fargo Bank, N.A., as Trustee (the "Trustee"). The proceeds of the Bonds will be used to purchase a School Building and Site Bond, Series 2007 of the Academy dated as of June 1, 2007 (the "Municipal Obligation") issued by Richfield Public School Academy (the "Academy") pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended. The Academy will use the proceeds of the Bonds (which it will receive from the sale of the Municipal Obligation) for the following purposes: (i) to finance the acquisition of the Academy's existing educational facilities, acquire additional land and construct, equip and furnish an addition to such facilities (the "Project"); (ii) to fund a debt service reserve fund; and (iii) to pay certain costs associated with the issuance of the Bonds.

Security

Principal of, interest and premium, if any, on the Bonds is payable, on a parity basis with any Additional Bonds (as defined in the Indenture) solely from the revenues pledged therefore the Indenture, including all amounts required to be paid by the Academy pursuant to a Financing Agreement, dated as of June 1, 2007, between the Authority and the Academy (the "Financing Agreement"). Under the Financing Agreement, the Academy will pledge a portion of its State School Aid to be received by the Academy from the State of Michigan to make the Bond Payments and Additional Payments. Pursuant to the State Aid Agreement, dated as of June 1, 2007, by and among the Academy, the Trustee, the Authority, the Board of Regents of Bay Mills Community College, as authorizing body and fiscal agent for the Academy, and the State Treasurer (the "State Aid Agreement"), such amounts are to be paid to the Trustee and used to make payments on the Bonds. The Bonds will be further secured by a Mortgage, dated as of June 1, 2007, granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the Academy's facilities (the "Mortgage"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY REPAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE AMOUNT OF STATE SCHOOL AID AVAILABLE FOR BOND PAYMENTS, RESERVE FUND PAYMENTS, AND DEBT SERVICE PAYMENTS ON OTHER LONG-TERM OBLIGATIONS OF THE ACADEMY IN ANY ACADEMY FISCAL YEAR SHALL NOT EXCEED 20% OF THE AMOUNT OF SCHOOL AID PAYABLE TO THE ACADEMY BY THE STATE IN SUCH ACADEMY FISCAL YEAR. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, BAY MILLS COMMUNITY COLLEGE (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, BAY MILLS COMMUNITY COLLEGE OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH

RESPECT TO THE BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” AND “RISK FACTORS” HEREIN.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement are "forward-looking statements" of the type described in the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "project," "estimate," "expect," "contemplate," "intend," "anticipate," "believe," "may," "will," "continue" and similar expressions. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Underwriter, the Authority, the Academy nor any other party plans to issue any updates or revisions to those forward-looking statements if or when such expectations, events, conditions or circumstances upon which such statements are based occur.

THE AUTHORITY

The Authority is a public body corporate and politic of the State of Michigan (the “State”), and is authorized by Executive Order 2002-3, compiled at §12.192 of the Michigan Compiled Laws ("M.C.L."), 1985 PA 227 and 1985 PA 270, as amended, to issue bonds for the purpose of making loans through the purchase by the Authority of municipal obligations in fully marketable form of a government unit or making loans to a nonprofit entity for the benefit of a public school academy.

The Authority is governed by a Board of Trustees (the “Board”). The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. Board members serve for various terms and may continue to serve until their successors are appointed and file their oaths of office. The Board currently has one vacancy. The current members of the Board are:

Mark J. Burzych	Partner Foster, Swift, Collins & Smith, P.C. Lansing, Michigan
Timothy A. Hoffman	Director of Regulatory Affairs Consumers Energy Lansing, Michigan
David S. Mittleman	Partner Church, Kritselis & Wyble, P.C. Lansing, Michigan
Robert J. Kleine	State Treasurer Lansing, Michigan

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Authority contained therein are those of the Authority and not of any member of the Board or any officer or employee of the Authority in his or her individual capacity. The Indenture also provides that no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds, or for any claim based thereon or on the Indenture, against any member of the Board, any officer or employee of the Authority or any person executing the Bonds.

The Authority is housed within the State Department of Treasury, but exercises its statutory functions independent of the State Treasurer. The Authority’s address is Richard H. Austin State Office Building, 430 West Allegan Street, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

The Executive Director of the Authority is Thomas J. Letavis.

The Bonds are limited obligations of the Authority as described in this Official Statement. The Authority is not generally liable on the Bonds or on any other obligation incurred by the Authority under the Indenture or the Financing Agreement. The Bonds are not general obligations and do not constitute debts or pledges against the general credit of the Authority or the credit or taxing power of the State. The Bonds are limited obligations of the Authority, which will, if and when issued, be payable solely through revenues, properties or other funds as described in this Official Statement, the Indenture and the Financing Agreement. The Authority has no taxing power. No owner of any Bond shall have the right to demand payment of the principal of, premium, if any, or interest on such Bond out of any funds to be raised by taxation. The Authority has no taxing power.

The Authority has not prepared any material for inclusion in this Official Statement except the matters under the heading "THE AUTHORITY." The distribution of this Official Statement has been duly approved and authorized by the Authority. Such approval and authorization do not, however, constitute a representation of approval by the Authority of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this Section.

THE ACADEMY

The Academy is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code (the "School Code"), M.C.L. § 380.501 et. seq. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 et. seq. The Academy began operating in the 2003-04 school year serving grades K through 5. In each year since 2003-04, the Academy has added an additional grade from grade 6 and upward, such that for 2006-07, the Academy serves students in grades K through 8. The Academy's current enrollment is approximately 460 students. The Academy teaches students residing almost exclusively in Genesee County. The Academy operates under a charter contract with Bay Mills Community College, which is currently set to expire on June 30, 2009. The Academy has entered into a management agreement with Mosaica Education, Inc. ("Mosaica"), pursuant to which Mosaica manages the affairs of and provides educational services to the Academy. For additional information, see "APPENDIX B – The Academy."

DESCRIPTION OF THE BONDS

General

The Bonds will be issuable as fully registered bonds without coupons in denominations of $5,000, or any integral multiples in excess thereof (the "Authorized Denominations"). The Bonds will mature on the dates and in the amounts set forth on the inside front cover page of this Official Statement, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Official Statement, payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2007 (each an "Interest Payment Date").

Interest on the Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Bonds will be made upon surrender of the Bonds at the office of the Trustee. Payments of interest on the Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Trustee irrespective of any transfer or exchange of the Bonds subsequent to the Record Date and prior to such Interest Payment Date. The "Record Date" means the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in the Indenture.

Redemption of Bonds Prior to Maturity

Optional Redemption

The Bonds maturing in the year 2022 and thereafter are subject to redemption at the option of the Authority, as directed in writing by the Academy, in whole or in part at any time on or after September 1, 2017 (and if in part in multiples of $5,000) and in such order of maturity as the Academy shall direct at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Mandatory Redemption

The Bonds maturing September 1, 2022 are subject to mandatory sinking fund redemption on September 1, 2012 and on each September 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bonds Maturing
September 1, 2022

Date	Principal Amount
September 1, 2012	125,000
September 1, 2013	130,000
September 1, 2014	140,000
September 1, 2015	145,000
September 1, 2016	150,000
September 1, 2017	160,000
September 1, 2018	165,000
September 1, 2019	175,000
September 1, 2020	185,000
September 1, 2021	195,000
September 1, 2022†	205,000

† Maturity Date

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The Bonds maturing September 1, 2036 are subject to mandatory sinking fund redemption on September 1, 2023, and on each September 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bonds Maturing
September 1, 2036

Date	Principal Amount
September 1, 2023	$215,000
September 1, 2024	225,000
September 1, 2025	235,000
September 1, 2026	250,000
September 1, 2027	260,000
September 1, 2028	275,000
September 1, 2029	290,000
September 1, 2030	300,000
September 1, 2031	315,000
September 1, 2032	335,000
September 1, 2033	350,000
September 1, 2034	370,000
September 1, 2035	385,000
September 1, 2036†	405,000

† Maturity Date

Mandatory Redemption Upon Determination of Taxability

The Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption From Insurance and Condemnation Proceeds

Pursuant to the Indenture, the Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

Under the Financing Agreement, in the event (i) the Project is damaged or destroyed, or (ii) failure of title to all or part of the Project occurs or title to or temporary use of the Project is taken by condemnation or by the exercise of the power of eminent domain, the Academy is required to promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy must elect in writing whether to restore all or part of the Project or to prepay its obligations under the Financing Agreement. The Academy may only restore all or part of the Project if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Project has been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Project may not be reasonably restored within a period of 12 consecutive months to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months, or if the cost of restoring the Project is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Project, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Bonds.

Notices of Redemption

Under the Indenture, the Trustee shall give notice of each redemption to the Registered Owner of any Bonds designated for redemption in whole or in part at the address as shall last appear upon the registration books maintained by the Bond Registrar and Paying Agent by mailing a copy of the redemption notice by first-class mail at least 30 days but no more than 45 days prior to the Redemption Date. The failure of the Bond Registrar and Paying Agent to give notice to an Owner or the failure of any Owner to receive notice, or any defect in such notice will not affect the validity of the redemption of any Bonds.

Upon surrender of any Bond in a denomination greater than the minimum Authorized Denomination, which Bond has been called for redemption in part only, the Authority shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to, and otherwise the same as, the unredeemed portion of the Bond surrendered.

Partial Redemption

If less than all the Outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bonds selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the holder thereof, in exchange for the unredeemed principal amount of such Bond.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate in typewritten form will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO BONDHOLDERS, HOLDERS OR OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Academy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participant’s accounts upon DTC’s receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository); in that event, the Bond certificates will be printed and delivered to the Participants for delivery to the Beneficial Owners. The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Authority believes to be reliable, but the Authority assumes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE ACADEMY, THE TRUSTEE, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Indenture

The Bonds are limited obligations of the Authority and are payable, on a parity basis with any Additional Bonds, by the Authority solely from funds pledged under the Indenture, including: (i) all amounts required to be paid by the Academy pursuant to the Municipal Obligation and the Financing Agreement; (ii) all moneys and securities in the Bond Fund, Reserve Fund and the Project Fund created under the Indenture (and as defined therein) including proceeds of the Bonds pending disbursements thereof; (iii) all of the Authority's rights and interest in the Financing Agreement (except the Unassigned Rights, as defined in the Indenture); (iv) all of the proceeds of the foregoing, including without limitation, investments thereof and Investment Income (as defined in the Indenture); and (v) the rights of the Trustee in and under the Mortgage (as defined in the Indenture) from the Academy in favor of the Trustee with respect to the Project property (collectively, the "Security").

Funds and Accounts

The Indenture will create and establish a special fund to be designated the “Michigan Public Educational Facilities Authority – Richfield Public School Academy 2007 Bond Fund” (the “Bond Fund”), within which there will be established separate trust accounts, the “Revenue Account" and the “State Aid Intercept Account.”

Under the Indenture, there will be deposited in the Revenue Account:

(i) any proceeds of the Bonds required to pay accrued interest;

(ii) all Bond Payments and Additional Payments under the Municipal Obligation and the Financing Agreement other than Scheduled Bond Payments, including all proceeds resulting from the enforcement of the Security or its realization as collateral;

(iii) investment earnings transferred from the Reserve Fund; and

(iv) all moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund, including Surplus Bond Proceeds, if any.

Under the Indenture, there will be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Bond Payments which are made pursuant to the State Aid Agreement. Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(i) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Bond Payment required to be made by the Academy;

(ii) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payments required to be made by the Academy;

(iii) third, as specified in the Financing Agreement and / or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments required to be made by the Academy; and

(iv) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Bond Payments, Additional Payments and Reserve Fund Payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Authorizing Body or as otherwise directed by the Authority with the requirements of the Financing Agreement.

Reserve Fund

The Indenture will also establish a Reserve Fund with the Trustee as additional security for the Bonds. The Reserve Fund will initially be funded with proceeds of the Bonds, in the amount of the Reserve Fund Requirement (as defined in the Indenture).

Under the Indenture, if at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Bonds.

Under the Financing Agreement, if any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund, the Academy is required pay to the Trustee for deposit into the Reserve Fund on each Payment Date commencing with the first Payment Date following such withdrawal, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven consecutive equal installments or such other number of equal installments as the Trustee shall determine necessary to restore the Reserve Fund to the Reserve Fund Requirement by the next Bond Payment Date. If on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy is required to pay to the Trustee for deposit into the Reserve Fund on each Payment Date, commencing on the first Payment Date following such Bond Payment Date, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement immediately (such payments being "Reserve Bond Payments").

Under the Indenture, earnings realized from Eligible Investments in the Reserve Fund will be transferred to the Bond Fund on or after each March 1 and September 1, unless the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, in which case earnings on the Reserve Fund shall be retained in the Reserve Fund until the amount on deposit therein equals the Reserve Fund Requirement.

Repair and Replacement Fund

The Indenture establishes a Repair and Replacement Fund for the payment of extraordinary maintenance and replacements which may be required to keep the Project (as defined in the Financing Agreement) in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto. Such payments are subject to receipt by the Trustee of a written requisition from an authorized representative of the Academy.

Under the Financing Agreement, the Academy agrees to pay to the Trustee for deposit in the Repair and Replacement Fund, on each Payment Date on which the amount on deposit in the Repair and Replacement Fund is less than the Repair and Replacement Fund Requirement, an amount equal to the lesser of one-eleventh (1/11) of the Repair and Replacement Fund Requirement or the amount required to make the amount on deposit in the Repair and Replacement Fund equal to the Repair and Replacement Fund Requirement. The Indenture defines "Repair and Replacement Fund Requirement" as an amount equal to 2% of the budgeted Operating Expenses (as defined in the Financing Agreement) as of the first business day of each fiscal year of the Academy; provided, however, that if the Academy's general fund balance exceeds 5% of the annual budgeted Operating Expenses in which case the required amount is 0%. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement shall be transferred by the Trustee to the Academy; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer shall not be less than the Repair and Replacement Fund Requirement. Bondholders shall have no rights in or claims to money held in the Repair and Replacement Fund.

Project Fund

The Indenture establishes a Project Fund with the Trustee. Proceeds of the Bonds not otherwise deposited in the Bond Fund or Reserve Fund shall be deposited in the Project Fund. The Trustee is authorized and directed to make disbursements from the Project Fund on a requisition certificate meeting the requirements of the Financing Agreement. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all receipts and disbursements pertaining thereto, and shall furnish monthly statements with respect thereto to the Academy and the Authority. Upon receipt of the completion certificate in the form required by the Financing Agreement, the Trustee shall deposit the Surplus Bond Proceeds, if any, in the Bond Fund to be used to pay principal or interest of the Bonds on the next available Bond Payment Date.

Additional Bonds

Under the Financing Agreement, the Authority may authorize the issuance of the additional bonds pursuant to the terms and conditions provided in the Indenture. In the Indenture, the Authority may issue Additional Bonds, at the request of the Academy with such approvals as required by the Enabling Legislation (as defined in the Indenture), without limit in one or more series for the acquisition, construction and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Any such Additional Bonds shall be of the same priority as the Bonds and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy.

Pursuant to the Indenture, no Additional Bonds may be issued unless the Academy provides a certificate to the Trustee confirming that 20% of the Academy's State School Aid for the Academy Fiscal Year are sufficient to pay an amount not less than 120% of the maximum annual principal and interest requirements on the Bonds and any Additional Bonds proposed to be issued, for any Academy Fiscal Year. Under the Indenture, for purposes of computing future projections of State School Aid, such certificate shall use the expected total amount of State School Aid to be paid to the current Academy Fiscal Year computed using the number of students certified as of the September count date of the current Academy Fiscal Year.

Financing Agreement

General

Under the Financing Agreement, the Authority agrees to purchase the Municipal Obligation from the Academy with proceeds of the Bonds. The Academy, in return, agrees to acquire the Project with proceeds of the Municipal Obligation and make the following payments:

(a) "Bond Payments," in amounts equal to the annual principal of and interest on the Bonds. The Financing Agreement will include a schedule of Bond Payments (the "Schedule"), consisting of a "Scheduled Principal Component," "Scheduled Interest Component," and a "Set-Aside Component" (i.e., an amount to be intercepted and allocated for the payment of principal of and/or interest on the Bonds in calendar months in which no Payment Date for State School Aid exists), and a "Scheduled Fee Payment Component," all as defined in the Financing Agreement.

(b) "Additional Payments" including:

(i) Reserve Fund Payments, to replenish the Reserve Fund as required under the Financing Agreement and as described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Indenture – Reserve Fund," above; and

(ii) Repair and Replacement Fund payments, for the payment of extraordinary maintenance and replacements which may be required to keep the Project in sound condition, as required under the Financing Agreement and described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Indenture – Repair and Replacement Fund," above.

Under the Financing Agreement, the Academy agrees to include in its budget sums as will be necessary to pay the Bond Payments, Additional Payments and all other payments under the Financing Agreement, when due. Such agreement, however, is subject to the limitation that the amount of State School Aid available for Bond Payments, Reserve Fund Payments, and debt service payments on other long-term obligations of the Academy in any Academy Fiscal Year shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such Academy Fiscal Year. See "RISK FACTORS – Limitation of Assigned Revenues," below.

Pledge of State School Aid

Under the Financing Agreement, the Academy pledges to pay Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation and the Financing Agreement from its State School Aid to be allocated to it and payable to its Authorizing Body (the "Pledged State Aid"). Unless otherwise agreed to in writing by the Authority, an amount of each installment of State School Aid equal to the applicable amount set forth on the Schedule will be transmitted directly by the State Treasurer. Under the Financing Agreement, such amounts will equal approximately:

(i) 1/11th of the annual principal payments scheduled on the Bonds (the Scheduled Principal Component and the Set-Aside Component relating to principal), plus

(ii) 1/11th (adjusted in the initial fiscal year to reflect interest accruing from the Closing Date) of the annual interest obligation (the Scheduled Interest Component and the Set-Aside Component relating to interest), plus

(iii) 1/11th of the annual scheduled fees (the Scheduled Fee Payment Component).

The above amounts will be transmitted directly by the State Treasurer to the Trustee commencing on July 20, 2007 and thereafter on the 20th (or on the next business day if the 20th falls on a Saturday, Sunday or holiday) of each January, February, March, April, May, June, July, August, October, November and December (each a "Payment Date"). The Bond Payments and Additional Payments, if any, to the Authority will be made from the State School Aid allocated to the Academy during the month of the payment. Under the Financing Agreement, the intercepted and/or advanced amounts are to be applied on the following priority basis:

(i) first, the amount required to pay the Bond Payments and Additional Payments, if any, when due shall be held by the Trustee for such purpose;

(ii) second, any other amounts owing to the Authority under the Financing Agreement;

(iii) third, an amount equal to the Scheduled Fee Payment Component is required to be retained by the Trustee as provided under the Indenture; and

(iv) fourth, to the extent in excess of the amount required under (i) through (iii) above, any amounts remaining to be immediately distributed to or at the direction of the Academy.

The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Bond Payments and Additional Payments. The School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and such appropriation shall not be construed as creating an indebtedness of the State. See "RISK FACTORS – Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation," below.

Limitation on Incurrence of Additional Indebtedness

In the Financing Agreement, the Academy will covenant that without the prior written consent of the Trustee at the direction of the holders of 51% of the Outstanding Bonds, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur other pecuniary obligations, except:

(a) obligations incurred in the ordinary course of business;

(b) state aid anticipation notes (including state aid note lines of credit) issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended; and

(c) other indebtedness incurred or guaranteed by the Academy in accordance with applicable law related to capital acquisitions provided that the aggregate maximum annual debt service on such indebtedness, in any fiscal year, together with the applicable debt service on the Bonds for such year, shall not exceed 20% of the amount of the State School Aid projected to be payable to the Academy by the State in such fiscal year. For purposes of computing future projections of State School Aid, the amount of State School Aid to be paid to the Academy for the Academy's current fiscal year computed using the number of students certified as of the September count date of the current fiscal year, shall be used.

Minimum Fund Balance Requirement

In the Financing Agreement, the Academy will covenant that so long as the Series 2007 Bonds are outstanding, the Academy agrees to:

(a) maintain an unrestricted general fund balance as a percentage of its Operating Expenses according to the following:

(i) Such percentage shall be 5.0% for any Academy Fiscal Year if, in the Academy's Fiscal Year immediately preceding such fiscal year, the total of the Scheduled Bond Payment plus any lease-purchase or loan payment obligations of the Academy (excluding Short-Term Debt), were equal to or less than 10% of State School Aid for the fiscal year;

(ii) Such percentage shall be 7.5% for any Academy Fiscal Year if, in the Academy's Fiscal Year immediately preceding such fiscal year, the total of the Scheduled Bond Payment plus any similar lease-purchase or loan payment obligations of the Academy (excluding Short-Term Debt) were greater than 10% but less than 15% of State School Aid for the fiscal year; and

(iii) Such percentage shall be 10.0% for any Academy Fiscal Year if, in the Academy's Fiscal Year immediately preceding such fiscal year, the total of the Scheduled Bond Payment plus any similar lease-purchase or loan payment obligations of the Academy (excluding Short-Term Debt), were greater than 15% of State School Aid for the fiscal year.

(b) maintain cumulative unrestricted cash reserves and/or access to Short-Term Debt sufficient to meet all accrued and unrestricted salary obligations of the Academy.

Under the Financing Agreement, each of the covenants made in the Financing Agreement will be tested as of June 30 of each Academy Fiscal Year based on the results of the annual audit of the Academy. If on any testing date the Academy's minimum fund balance is below that required by the Financing Agreement, the Academy shall retain on an annual basis a minimum of 50% of the Excess Net Revenues until such time as the Academy is in compliance with the minimum fund balance required by the Financing Agreement, provided however that the Academy is not required to retain an amount which would cause them to exceed the minimum fund balance required by the Financing Agreement.

If the Academy is unable to comply with the requirements of the Financing Agreement within 24 months of the initial non-compliance, the Bondholders of 2/3rds of the Outstanding Bonds shall have the right to direct the Trustee to require the Academy to engage, at the Academy's expense, a Management Consultant acceptable to the Trustee, which shall deliver a written report within 60 days of engagement to the Trustee and the Board of the Academy containing recommendations concerning the Academy's:

(i) operations;

(ii) financing practices and activities, including Short-Term Debt, lease financing, and investment activities;

(iii) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Academy's financial condition;

(iv) governance and administration practices; and

(v) other factors relevant to maintaining compliance with the Financing Agreement.

Upon submission of the Management Consultant's report, the Academy's Board shall arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance or rejection of all or any material portion of the recommendations of the Management Consultant within 30 days of receiving the report of the Management Consultant. The Bondholders of 2/3rds of Outstanding Bonds shall have the right to require the Board of the Academy to comply with any reasonable recommendation of the Management Consultant with respect to items (i) through (v) above.

State Aid Agreement

Under the State Aid Agreement, the Bay Mills Community College Board of Regents (the "Authorizing Body") requests, and the Authority requests and directs, the State Treasurer to pay to the Trustee such amounts (which amounts are dedicated for distribution to the Academy in July and August 2007, and each October through August for each fiscal year thereafter for so long as the Municipal Obligation is outstanding and for which the appropriation authorizing payment has been made under the School Aid Act) which have been assigned or pledged to the Authority by the Academy for payment of its scheduled payment obligations (the "Direct Payments") pursuant to the Academy's Municipal Obligation and the Financing Agreement.

Pursuant to the State Aid Agreement, on each Payment Date (July 2007 and August 2007, and each October through August for each fiscal year thereafter for so long as the Municipal Obligation is outstanding), the State Treasurer shall transfer to the Trustee all of the applicable month's Direct Payment otherwise to be received by the Academy, notwithstanding any notice or other communication of any kind to the contrary that the State Treasurer might receive from the Academy. The Trustee is required to apply each Direct Payment that it receives from the State Treasurer as payment of the Academy's monthly payment obligation on its Municipal Obligation,

First, on a parity basis, to:

(i) payment of any overdue and unpaid obligation to the Authority under the Financing Agreement of the Academy's Municipal Obligation payment obligations from previous months remaining unpaid;

(ii) payment of the Scheduled Principal Component, the Set-Aside Component and the Scheduled Interest Component and the Scheduled Fee Payment Component of the Scheduled Bond Payment (as such terms are defined in the Financing Agreement) payable to the Authority under the Financing Agreement; and

(iii) Additional Payments (as such term is defined in the Financing Agreement);

provided however, that the amounts disbursed by the Trustee representing Bond Payments (as defined in the Financing Agreement) and debt service payments on other debt obligations of the Academy, in any fiscal year of the Academy, may not exceed 20% of the amount of State School Aid payable to the Academy by the State in such fiscal year, and

Second, to the Authorizing Body for distribution to the Academy or as otherwise directed by the Authority.

The Mortgage

The Bonds will be secured, in part, by a mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the Academy's facility (the "Mortgage"). Under the State School Aid Act, property of a public school academy that was acquired substantially with funds appropriated under such Act is required to be transferred to the State by the public school academy in certain events, including revocation of its charter or if its charter has not been reissued by the authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the public school academy secured by such property, and second, to deposit any remaining amount into the State School Aid fund.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds from the proceeds of sale of the Bonds:

Sources	
Par Amount of Bonds	$6,435,000.00
Original Issue Discount	(80,461.65)
Total	$6,354,538.35
Uses	
Acquisition of Existing Facilities	$4,300,000.00
Land Acquisition and Expansion of Facilities	1,270,000.00
Reserve Fund	428,000.00
Costs of Issuance, Including Underwriter's Discount	356,538.35
Total	$6,354,538.35

OTHER BORROWINGS

The Academy has historically used Short-Term Debt to assist with its operations cash flow, due to the fact that it receives State School Aid Payments only eleven times per year, and those payments commence nearly four months after the commencement of the Academy's fiscal year. Such Short-Term Debt indebtedness is permitted under the Indenture so long as liens on the Academy's facilities, Pledged Revenues or other assets of the Academy securing such indebtedness are subordinate to the Mortgage and obligations under the Indenture.

PROJECT

The proceeds of the Bonds will be used for the following purposes: (i) to finance the acquisition of the Academy's existing educational facilities, acquire additional land and construct, equip and furnish an addition to such facilities (the "Project"); (ii) to fund a debt service reserve fund; and (iii) to pay certain costs associated with the issuance of the Bonds.

General

The Academy will use a portion of the proceeds of the Bonds to purchase its existing facilities, which the Academy currently leases from Flint / Jackson Academy, LLC, Bay City, Michigan (the "Lessor"), pursuant to a lease agreement dated June 24, 2003 (the "Lease"). The existing facilities are located at 3807 North Center Road, Flint, Michigan, and consist of an approximately 37,076 square-foot building with 19 classrooms, a gym, a kitchen, media center, and office space. The Academy will use a portion of the proceeds of the Bonds to purchase the existing facilities pursuant to an agreement negotiated with its Lessor.

The Academy will use a portion of the proceeds of the Bonds to purchase a lot adjacent to its existing facilities, which is approximately 30 feet wide and 360 feet deep, demolish a residential dwelling and related structures on the acquired lot, and to construct, equip and furnish thereon an addition to its existing facilities. The addition will include approximately 13,850 square feet of classroom space, consisting of approximately ten classrooms of approximately 1,385 square feet each. The expansion is expected to provide space for approximately 125 additional students. The additional space will be available for use by students in all grade levels. Drawings and specifications for the new construction portion of the Project have been prepared by Sedgewick & Ferweda Architects, Flint, Michigan (the "Architect"). The Academy expects substantial completion of construction of the Project by approximately August 30, 2007. The Academy is currently working with the Architect, the Construction Company (defined below) and Mosaica to obtain all necessary approvals required to commence construction of the Project. For more information regarding the Academy's existing facilities and the Project, see "APPENDIX B – THE ACADEMY – Facilities and the Project." See also "RISK FACTORS – Project Approvals and Commencement of Construction."

Construction Contract

The Academy has solicited competitive bids pursuant to M.C.L. § 380.1267 for construction of the Project. The Academy has reviewed the bids it has received, selected White H. Hall & Sons, Inc., Flint, Michigan (the "Construction Company") at its meeting on May 23, 2007. The Academy has entered into a construction contract with a guaranteed maximum price component (the "Construction Contract") with the Construction Company, pursuant to which the Construction Company agrees to construct the construction portion of the Project for a guaranteed maximum price equal to no more than the net proceeds of the portion of the Bonds allocated to such purpose (and estimated earnings thereon to the extent available for construction purposes). The Construction Contract requires the Construction Company to provide all labor, materials, equipment and incidentals necessary to complete the construction portion of the Project according to the plans and specifications prepared by the Architect.

Project Monitoring

Under the terms of the agreement between the Academy and the Architect, the Architect agrees to perform certain administrative tasks with respect to construction of the Project. In particular, the Architect agrees to visit the site of the Project at appropriate intervals, to become generally familiar with the progress and quality of work to help guard against defects and to determine if such work is being performed in a manner indicated that the work, when completed, will be in accordance with the terms of the construction documents. Under the agreement, the Architect is under no obligation to make exhaustive or continuous on-site inspections. The agreement provides that Architect has no control over or responsibility for the means and methods of construction.

RISK FACTORS

This Official Statement contains summaries of pertinent portions of the Bonds, the Indenture, the Mortgage, and the Continuing Disclosure Agreement. Such summaries and references are qualified in their entirety by reference to the full text of such documents. The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Sufficiency of Revenues

The Bonds are payable solely from revenues of the Academy pledged under the terms and conditions of the Indenture, and are secured only by such revenues and the Mortgage, as described in the Indenture and the Mortgage. Based on present circumstances (i.e., its charter contract and operating history), and based on its projections regarding enrollment, the Academy believes it will generate sufficient revenues to meet its obligations under the Indenture. However, the Academy's charter may be terminated or not renewed, or the basis of the assumptions utilized by the Academy to formulate this belief may otherwise change – and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation

The Academy may not charge tuition and has no taxing authority. The primary source of revenue received by the Academy is the per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. The Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid payments to the Academy is inadequate to allow the Academy to pay its operating expenses and debt service on the Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of monies from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

Limitation of Assigned Revenues

The amount of State School Aid available for Bond Payments, Reserve Fund Payments, and debt service payments on other obligations of the Academy in any Academy Fiscal Year shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such Academy Fiscal Year.

Delay in, Reduction, or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Bonds. The Michigan legislature is required to balance the budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the foundation allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to school districts in order to eliminate the shortfall. These provisions resulted in a $127 million school aid shortfall in fiscal year 2003 and an annualized prorated 3.8% across-the-board cut applied to all State spending categories except those specifically protected by law. The effect of this proration was to reduce the Academy's per pupil foundation allowance by $74, from $7,000 per student to $6,926 for fiscal year 2003-04.

On April 30, 2007, the State Budget Director notified the Academy that it will be subject to an estimated proration for the 2006-07 fiscal year of $122 per pupil. Subsequently, at its May 18, 2007 revenue estimating conference, the Michigan House and Senate fiscal analysts and the State Treasurer projected a shortfall in the State school aid fund for 2006-07 of approximately $203 million and a foundation allowance reduction of approximately $116 per pupil. On May 30, 2007, the House of Representatives passed a tobacco securitization bill that proposes to provide funding for the budget shortfall. The actual foundation allowance proration will depend on future revenue estimates and, more generally, is subject to the State's budget process. Thus, the actual foundation allowance proration to which the Academy will be subject cannot be predicted with certainty at present, and could be significantly greater than $122 (or $116) per pupil. Because the primary source of revenue received by the Academy is the per pupil foundation allowance, such reduction could materially adversely affect the Academy's ability to make debt service payments on the Bonds.

Limited Operating History; Reliance on Projections

The ability of the Academy to make debt service payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has only conducted operations since 2003. The projections of revenues and expenses contained in "APPENDIX B – THE ACADEMY," herein were prepared by Mosaica for the Academy, with assistance from the Academy and the Academy's financial advisor, but have not been independently reviewed or verified by any other party. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy through June 30, 2011, and consequently do not cover the entire period that the Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid funds, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary education competition and changes in local or general economic conditions. Refer to "APPENDIX B – THE ACADEMY," to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID FUNDS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Competition for Students

The Academy competes for students with other public school academies, public schools and private schools. There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Bonds. There are 21 public school academies, public schools and private schools located in close proximity to the Academy’s current location. Refer to “APPENDIX B – THE ACADEMY – Service Area and Competing Schools,” for information regarding other schools in the Academy’s service area and schools that compete with the Academy.

Revocation, Suspension or Non-Renewal of Charter

The Academy operates under a charter contract with the Bay Mills Community College Board of Regents (the "Board of Regents"). The charter contract provides the basis for the Academy to receive State School Aid funds. Unless renewed by the Board of Regents, the Academy's charter contract will expire on June 30, 2009. Decisions to renew or not to renew the charter are at the sole discretion of the Board of Regents. The Board of Regents could choose not to renew the Academy's charter upon its expiration for any reason. Additionally, the Board of Regents may unilaterally terminate the Academy's charter at any time if the Academy is not in substantial compliance with the charter or any provision of applicable law. The Board of Regents may also revoke or terminate the charter pursuant to its terms based on grounds specified in the charter. See "APPENDIX B – THE ACADEMY – Charter Contract." The decision not to renew or to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. In the event that the Academy's charter is revoked or not renewed, the ability of the Academy to make any payments due under the Financing Agreement representing debt service on the Bonds would be adversely affected and the Academy could be forced to cease operations.

IN THE EVENT THAT THE BOARD OF REGENTS WERE TO REVOKE, CANCEL, NOT RENEW OR EXTEND THE ACADEMY'S CHARTER, OR IF THE ACADEMY WERE UNABLE TO SECURE ANOTHER AUTHORIZING BODY, THE ABILITY OF THE ACADEMY TO MAKE PAYMENTS UNDER THE FINANCING AGREEMENT COMING DUE THEREAFTER WOULD BE MATERIALLY ADVERSELY AFFECTED.

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Academy's charter is revoked; or (iii) the Academy's charter is not reissued by the Board of Regents, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the state school aid fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of a public school academy debt secured by the property or interest in the property.

Performance by Mosaica Management, Inc.

The Academy has entered into an management agreement (the "Agreement') with Mosaica Education, Inc., New York, New York ("Mosaica" or the "Services Provider") pursuant to which Mosaica provides management services to the Academy. Mosaica has provided such services to the Academy since the Academy's inception in 2003. The Agreement is for a term through June 30, 2009. Upon expiration of the term, the Agreement will automatically renew for an additional period equal to the term of any valid charter agreement entered into by the Academy. Under the Agreement, Mosaica develops and implements the Academy's curriculum, and provides instructional tools, equipment, supplies, text books, computers, software and multi-media teaching tools for the Academy. Mosaica also provides personnel for the Academy, including teachers and staff. In addition, Mosaica provides administrative services, such as personnel management, operation and maintenance of the Academy's facilities, business administration, transportation and food services, public relations, and preparation of financial reports. In return, the Academy pays Mosaica a base management fee, and Mosaica may receive bonuses and an incentive award as set forth in the Agreement. For more information regarding the Academy's Agreement with Mosaica, see "APPENDIX B – THE ACADEMY."

No assurance can be made that Mosaica will continue to operate or remain financially able to perform its obligations under the Agreement. If Mosaica ceases to serve in its current capacity, the Academy's ability to continue its operations would be dependent on its ability to assume sole responsibility for the breadth of functions currently provided by Mosaica, or to contract with another services company competent to provide such services. There can be no assurance that the Academy would be able to perform such functions or contract for such services. Any failure in the performance of such functions or the provision of such services would adversely affect the Academy's ability to continue to generate revenues necessary to make debt service payments on the Bonds.

Project Approvals and Commencement of Construction

The Academy will use a portion of the proceeds of the Bonds to construct, equip and furnish an addition to its existing facilities. In Michigan, certain projects, such as the construction portion of the Project, which involve the construction, addition, alteration or repair of any school building must be submitted to the Department of Labor and Economic Growth for required plan reviews, permits and on-site inspections ("Site Plan Approval"). The Site Plan Approval criteria developed by the Bureau of Construction Codes includes, but is not limited to, (1) the receipt of necessary approvals from other agencies, including, vehicle traffic impact and access, groundwater discharge, storm water runoff, noise abatement, soil erosion, and wells, (2) fire and emergency access, (3) on site traffic analysis, (4) surrounding land use, (5) site physical features, and (6) off-street parking requirements. Additional information regarding the necessary approvals for public school academy projects such as the Project can be found at Section 380.1263 of the Michigan Compiled Laws and by reviewing information compiled by the State of Michigan Department of Labor and Economic Growth's Bureau of Construction Codes at http://www.michigan.gov/cis/0,1607,7-154-10575_25668---,00.html. The Academy is currently working with the Architect, the Construction Company and Mosaica to obtain all necessary approvals required to commence construction of the construction portion of the Project, including Site Plan Approval from the State as described above. Any delay or failure by the Academy to obtain such approvals could adversely affect the Academy's ability to make payments representing debt service on the Bonds. This risk is heightened (i) by the fact that the Academy is relying on completion of the construction portion of the Project to increase its capacity in order to accommodate increased enrollment (the expansion is expected to provide space for approximately 125 additional students total, and the additional space will be available for use by students in all grade levels), and (ii) by the fact that the Academy is relying on the availability of this capacity for the beginning of the 2007-08 school year. Delays with respect to completion of the Project, or modifications to the Project, could adversely affect the Academy's enrollment projections by reducing the amount of additional classroom space that is contemplated, or by delaying the availability of such additional classroom space.

Construction Costs and Completion of Construction

If plans regarding the new construction component of the Project result in construction costs that exceed the amount available to pay such costs, the Academy's construction plans would have to be modified to lower construction costs, and there is a risk that the Project would not be completed or would not be completed as planned. Although the Academy has entered into a construction contract that contains a guaranteed maximum price component (representing the maximum cost to the Academy for completion of the construction), there can be no guaranty that actual construction costs will not exceed such amount, and hence exceed the amount borrowed by the Academy available for construction purposes, due to unforeseen factors such as an overrun of allowance items, unexpected site problems, or delays due to the fault of the Academy, the Architect or the Construction Company. No assurance can be given that the new construction portion of the Project will be completed on time or for the amount of Bond proceeds allocated for such construction. This risk is heightened (i) by the fact that the Academy is relying on completion of the construction portion of the Project to increase its capacity in order to accommodate increased enrollment (the expansion is expected to provide space for approximately 125 additional students total, and the additional space will be available for use by students in all grade levels), and (ii) by the fact that the Academy is relying on the availability of this capacity for the beginning of the 2007-08 school year. Delays with respect to completion of the Project, or modifications to the Project, could adversely affect the Academy's enrollment projections by reducing the amount of additional classroom space that is contemplated, or by delaying the availability of such additional classroom space.

Damage or Destruction of the Facilities

The Financing Agreement requires that the Project be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of an insured occurrence. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain insurance. The Academy may choose not to rebuild if a casualty renders the Academy's facilities totally or partially untenantable, unfit for their purposes, or if the insurance proceeds are insufficient to restore such facilities to tenantable condition.

In addition, the Bonds are subject to mandatory redemption on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement. See "DESCRIPTION OF THE BONDS – Redemption of Bonds Prior to Maturity – Mandatory Redemption from Insurance and Condemnation Proceeds " above.

Inability to Liquidate or Delay in Liquidating the Facility; Value of Facility May Fluctuate

An event of default that has occurred and is continuing gives the Trustee the right of possession of, and the right to sell, the facility pursuant to a foreclosure sale under the Mortgage. The facility is intended to be used for the public school purposes of the Academy. Because of such use, a potential purchaser of the Bonds should not anticipate that a sale of the facility could be accomplished rapidly, or at all. Any sale of the facility would require compliance with the laws of the State. Such compliance may be difficult, time-consuming and/or expensive. Any delays in the ability of the Trustee to foreclose on the Mortgage would result in delays in the payment of the Bonds.

The existing facility is and the addition will be specifically constructed for use as a school facility and may not be readily adaptable to other uses. The facility was appraised by Allen & Associates Appraisal Group, Inc., Birmingham, Michigan, for Comerica Bank, Detroit, Michigan, as of January 17, 2006 (the "Appraisal"). The Appraisal concluded that the "as is" market value of the fee simple title interest in the property, as of January 17, 2006 and as described in the appraisal, is $4,300,000. An appraisal is not a guarantee, and in the event of a sale of the facility, the number of uses that could be made of the property, and the number of entities that would be interested in purchasing the facility, could be limited, and the sale price would be thus affected. The location of the facility may also limit the number of potential purchasers. The ability of the Trustee to sell the facility to third parties, thereby liquidating the investment, would be limited as a result of the nature of the facility. For these reasons no assurance can be made that the amount realized upon any sale of the facility will be fully sufficient to pay and discharge the Bonds. In particular, there can be no representation that the cost of the facility constitutes a realizable amount upon any forced sale thereof. In the event the Trustee takes possession of the facility, the facility may be subject to real estate taxation.

The value of the facility at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Academy's facility which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline.

Environmental Regulation

The Academy's facilities and surrounding site are subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to the facilities, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the facilities. Costs incurred by the Academy with respect to environmental remediation or liability could adversely impact the Academy's financial condition, its ability to own and operate the facilities, or its ability to operate from its current location.

AKT Peerless Environmental Services ("AKT") Saginaw, Michigan, completed a Phase I Environmental Site Assessment of the Academy's existing site at 3807 North Center Road in Flint, Michigan. In that connection, AKT issued a report initially dated June 6, 2002, (the "AKT Report"). The AKT Report states that the purpose of the Phase I Environmental Site Assessment was to evaluate the present condition of the properties to determine the potential for recognized environmental conditions ("RECs") associated with their past and/or present use. As stated in the AKT Report, RECs are defined by the American Society of Testing and Materials ("ASTM") as "the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release or any hazardous substances or petroleum products into structures on the property or into the ground, groundwater or surface water of the property. The term includes hazardous substances or petroleum products even under conditions in compliance with laws. The term is not intended to include de minimis conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies." As stated in the AKT Report, to accomplish the assessment's objectives, AKT researched relevant historical files and databases, conducted an on-site review of the properties, and reviewed regulatory databases, which document the environmental compliance of the surrounding properties and businesses. As stated in the AKT Report, the assessment revealed no evidence of potential RECs.

AKT also performed an update of the AKT Report (the "AKT Update") on June 26, 2006. The Update states that the purpose of the Update was to evaluate the current and historical conditions of the subject property in an effort to identify RECs and historical recognized environmental conditions (HRECs) in connection with the property. To accomplish the objectives of the Update, the AKT Update states that AKT conducted a records review, interviews with regulatory officials and personnel associated with the subject property, reconnaissance of the subject and adjoining properties. The AKT Update stated that no evidence of RECs or HRECs was found at the site.

Apex Companies, LLC ("Apex"), Arlington Heights, Illinois completed a Phase I Environmental Site Assessment of the property the Academy to be acquired with a portion of the proceeds of the Bonds located at and 3703 North Center Road in Flint, Michigan. Apex also updated the Phase I Environmental Site Assessment of the property located at 3807 North Center Road conducted by AKT in 2006 as described in the prior paragraph. In that connection, Apex issued a report dated April 2, 2007, (the "Apex Report"). The Apex Report states that the purpose of the Apex Report was to perform all appropriate inquiries into the previous ownership and uses of the sites consistent with good commercial or customary practice for a possible transaction involving the Site. In addition, the scope of the Apex Report was intended to aid in the evaluation of potential RECs. As defined by ASTM standards, the term recognized environmental conditions (RECs) means the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products even under conditions in compliance with the laws. The Apex Report states that there were no identified current or historic RECs with respect to the properties.

With respect to the Academy's existing facilities, the Apex Report concluded that asbestos containing materials ("ACM") or lead based paint ("LBP") do not represent a significant environmental concern. However, because the residence located at the 3703 North Center Road site was built prior to 1951, due to the potential to contain asbestos and lead, Apex recommends an ACM and LBP survey be conducted for the residence prior to demolition. The Architect has recommended the surveys for ACM and LBP. The Architect has engaged a licensed professional to conduct the surveys to disclose to the Academy's selected general contractor the type of ACM and LBP in the to be demolished facility and the proper method for removal in compliance with State and federal law.

The AKT Report, the AKT Update and Apex Report speak only as of their dates, and neither AKT nor Apex has not been asked to perform any additional assessment since the time of the assessment described in the AKT Report, the AKT Update, and the Apex Report. These reports are available upon request to the Academy, and reference should be made to the complete AKT Report, the AKT Update, and the Apex Report for additional information regarding the assessment undertaken in connection with each.

Changes in Law

The School Aid Act is subject to modification by the Michigan Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes. Further, the Michigan Legislature has amended the charter school laws since they were first enacted in 1993. Future amendments to the law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Bonds, by withholding a percentage of the State School Aid payments if a charter school is deemed not to be in compliance with its charter or state and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a state body to make an assessment of each school's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facilities or programs which may cost more than has been projected, by revising the relative responsibilities between school districts and the State for financing schools (including charter schools) or by eliminating the authority for charter schools.

Economic and Other Factors

Future economic and other factors may adversely affect the Academy's revenues and expenses and, consequently, the Academy's ability to make debt service payments under the Indenture. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in the affected service area; diminution of the Academy's reputation in its field; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the Academy to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Michigan charter school statutes; future claims for accidents at the Academy's sites and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods.

Determination of Taxability

If a Determination of Taxability were to occur, the Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the earliest practicable date for which notice can be given following such determination. Although the Academy would be required to prepay the Bonds as set forth in the Indenture, there can be no assurance that the Academy will possess the ability to make the required payment.

Potential Effects of Bankruptcy

If the Academy were to file a petition for relief (or if a petition were filed against such entity as debtor) under the United States Bankruptcy Code, 11 U.S.C. §§ 101 et. seq., as amended, or other State insolvency, liquidation or receivership laws, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Academy or the property of the Academy. If the bankruptcy court or other State or federal court so ordered, the Academy's property and revenues could be used for the benefit of the Academy despite the claims of its creditors (including the owners of the Bonds).

In a bankruptcy proceeding under Chapter 11 of the Bankruptcy Code, the Academy could file a plan of reorganization which would modify the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Bonds). The plan, when approved ("confirmed") by the bankruptcy court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the Academy except as otherwise provided for in the plan. No plan may be confirmed by a bankruptcy court unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. The Academy is prohibited from creating secured creditors except as provided in the Indenture.

Compliance with the No Child Left Behind Act of 2001

In accordance with the No Child Left Behind Act of 2001 ("NCLB") on August 5, 2005, the Michigan Department of Education published a list of 438 schools out of the 2,402 public schools in the State of Michigan, identified as not making Adequate Yearly Progress ("AYP") in mathematics and/or English language arts. In compliance with NCLB, schools that are identified for improvement, not having met AYP for each of the next two years, must develop a two-year school improvement plan and submit a revised school improvement plan for review and approval. They must also use at least 10% of their Title I funds for each of the next two years for professional development to support the revised plan, in addition to certain other requirements. Failure to meet AYP for years subsequent to the second year carries further consequences under Section 6316 of NCLB. The No Child Left Behind Act strengthens requirements for state assessments, accountability systems, and support for school improvement. The law also establishes minimum qualifications for teachers and paraprofessionals. For 2005-06, the Academy met AYP and received a composite grade of C from the Department of Education. For more information, see "APPENDIX B – THE ACADEMY – AYP Status." Failure of the Academy to meet the requirements of NCLB in the future may have a material adverse effect on the Academy and its ability to generate revenues necessary to pay debt service on the Bonds.

Results of a Termination of the Financing Agreement

Under the Financing Agreement, in the event that the Academy fails to pay money sufficient to make required payments or fails to observe or perform other obligations under the Financing Agreement, an event of default will occur and the Academy's indebtedness under the Financing Agreement may be accelerated, the Mortgage may be foreclosed upon by the Trustee. Potential purchasers of the Bonds should not assume that it will be possible to obtain proceeds from foreclosure on the Mortgage or the sale of the facility or from the sale of property secured by the Security Agreement after a termination of the Financing Agreement and a foreclosure of the Mortgage, for an amount equal to the aggregate principal amount of the Bonds then outstanding plus accrued interest thereon. If the facility is sold pursuant to a foreclosure sale under the Mortgage (and there is no assurance that there would be any purchaser upon a foreclosure sale) or the property secured by the Security Agreement is likewise sold for an amount less than the aggregate principal amount of and accrued interest on the Bonds, such partial payment may be the only payment to the Bondholders. Upon such partial payment, no holder of any Bond shall have any further claim for payment from the Trustee.

Resale of Bonds / Lack of Secondary Market

There can be no assurance that there will be a secondary market for the Bonds.

Remedies May be Unenforceable

Remedies provided for in the Financing Agreement, the Mortgage, the Security Agreement, and the Indenture may be unenforceable as a result of the application of principles of equity or of state and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Financing Agreement, the Mortgage, the Security Agreement and the Indenture could prove both expensive and time consuming.

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DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending September 1, the amounts required for payment of principal of and interest on the Bonds.

Period Ending (September 1)	Principal	Interest	Annual Debt Service
09/01/2007	-	$ 69,894.98	$ 69,894.98
09/01/2008	$105,000.00	318,508.76	423,508.76
09/01/2009	110,000.00	314,177.50	424,177.50
09/01/2010	115,000.00	309,502.50	424,502.50
09/01/2011	120,000.00	304,500.00	424,500.00
09/01/2012	125,000.00	299,250.00	424,250.00
09/01/2013	130,000.00	293,000.00	423,000.00
09/01/2014	140,000.00	286,500.00	426,500.00
09/01/2015	145,000.00	279,500.00	424,500.00
09/01/2016	150,000.00	272,250.00	422,250.00
09/01/2017	160,000.00	264,750.00	424,750.00
09/01/2018	165,000.00	256,750.00	421,750.00
09/01/2019	175,000.00	248,500.00	423,500.00
09/01/2020	185,000.00	239,750.00	424,750.00
09/01/2021	195,000.00	230,500.00	425,500.00
09/01/2022	205,000.00	220,750.00	425,750.00
09/01/2023	215,000.00	210,500.00	425,500.00
09/01/2024	225,000.00	199,750.00	424,750.00
09/01/2025	235,000.00	188,500.00	423,500.00
09/01/2026	250,000.00	176,750.00	426,750.00
09/01/2027	260,000.00	164,250.00	424,250.00
09/01/2028	275,000.00	151,250.00	426,250.00
09/01/2029	290,000.00	137,500.00	427,500.00
09/01/2030	300,000.00	123,000.00	423,000.00
09/01/2031	315,000.00	108,000.00	423,000.00
09/01/2032	335,000.00	92,250.00	427,250.00
09/01/2033	350,000.00	75,500.00	425,500.00
09/01/2034	370,000.00	58,000.00	428,000.00
09/01/2035	385,000.00	39,500.00	424,500.00
09/01/2036	405,000.00	20,250.00	425,250.00
	$6,435,000.00	$5,953,083.74	$12,388,083.74

TAX MATTERS

General

In the opinion of Clark Hill PLC, Birmingham, Michigan, Bond Counsel and in the opinion of the Attorney General of the State of Michigan, based on their examination of the documents described in their opinions, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements. Bond Counsel and the Attorney General will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Prospective purchasers of the Bonds should be aware that (i) interest on the Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Bonds is included in the calculation of modified adjusted gross income for purposes of determining taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Bonds, (vi) registered owners acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code, and (viii) registered owners of the Bonds may not deduct interest on indebtedness incurred or continued to purchased or carry the Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Bonds.

In the opinion of the Attorney General of the State of Michigan and in the opinion of Clark Hill PLC, Birmingham, Michigan, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals that could cause the interest on the Bonds to be subject directly or indirectly to federal or State of Michigan income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent the registered owners from realizing the full current benefit of the status of the interest thereon.

Recent Development

On May 21, 2007, the United States Supreme Court agreed to review the decision of a Kentucky appellate court in the case of *Davis v. Department of Revenue of Kentucky*. The Kentucky court held that under the Constitution of the United States, the Commonwealth of Kentucky may not exempt interest on bonds issued by that state or political subdivisions thereof from state and local taxes unless that state also provides such exemption to interest on bonds issued by other states and political subdivisions. Michigan law is similar to the Kentucky law in question, in that it generally exempts from state and local taxes interest on bonds issued by the State of Michigan and Michigan political subdivisions, but not interest on bonds issued by other states or political subdivisions. The outcome of such review, and its impact, if any, on the exemption of the Bonds and interest thereon from state and local taxes in Michigan, or on the market value of the Bonds, cannot be predicted.

Tax Treatment of Accruals on Original Issue Discount Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds is sold and the amount payable at the stated redemption price at maturity thereof constitutes “original issue discount.” Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such bonds.

All registered owners of the Bonds should consult their own tax advisors with respect to computation of original issue discount and the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

UNDERWRITING

The Bonds are being purchased by the Underwriter pursuant to a purchase contract at prices which, if the Bonds are sold at the prices and yields shown on the inside cover page, will result in Underwriter’s compensation of $112,612.50. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the purchase contract. The purchase contract provides that the Underwriter will purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers, banks and others at prices lower that the initial offering prices, and such initial offering prices may be changed form time to time by the Underwriter. The Attorney General's office does not express any opinion regarding the investment quality of the Bonds, or the accuracy, completeness or sufficiency of any other material relative to the Bonds.

FINANCIAL ADVISORS

Charter FS of Michigan, LLC, Royal Oak, Michigan (“Charter FS”) is serving as Financial Advisor to the Academy, and Buck Financial Advisors LLC, Englewood, Colorado (“Buck Financial Advisors”) is serving as a Consultant, in connection with the issuance of the Bonds. Neither Charter FS nor Buck Financial Advisors is obligated or has undertaken to make an independent verification or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement. Payment of the fees expected to be paid to Charter FS and Buck Financial Advisors depends on the issuance of the Bonds.

LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds by the Academy are subject to the approving opinion of Clark Hill PLC, Birmingham, Michigan, Bond Counsel, and the Attorney General of the State, whose approving opinions will be delivered with the Bonds, and the proposed forms of which are set forth in “APPENDIX E – PROPOSED FORM OF OPINION OF BOND COUNSEL" and “APPENDIX F – PROPOSED FORM OF OPINION OF ATTORNEY GENERAL.” Certain legal matters will be passed upon by Collins & Blaha, Farmington Hills, Michigan, as counsel to the Academy and by Quarles & Brady LLP, Milwaukee, Wisconsin as counsel to the Underwriter. The legal opinions delivered may vary from that form if necessary to reflect facts and law on the date of delivery. Fees expected to be paid to Bond Counsel are dependent on the issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will speak only as of their dates of delivery and will be qualified in certain customary respects, including as to the enforceability of the various legal instruments by limitations imposed by State and federal law affecting remedies and by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, the application of equitable principles and the exercise of judicial discretion in appropriate cases. The legal opinions express the professional judgment of counsel rendering them, but are not binding on any court or other governmental agency and are not guarantees of a particular result.

LITIGATION

No Proceedings Against the Authority

There is no litigation of any nature pending or threatened against the Authority to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds or the application of the proceeds thereof toward the costs of the Project or the Academy's facilities or in any way contesting or affecting the validity of the Bonds or any proceedings of the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Bonds or the existence or powers of the Academy.

No Proceedings Against the Academy

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Financing Agreement or the Indenture or would have a material adverse impact on the financial position of the Academy.

CONTINUING DISCLOSURE

The Academy will execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), with respect to the Bonds. The Continuing Disclosure Agreement is made for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Continuing Disclosure Rule"). See "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT." The Academy has never failed to comply in all material respects with any previous undertakings required by the Continuing Disclosure Rule.

Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, on an annual and interim basis, to designated information repositories certain quantitative financial information and operating data of the type specified in the Continuing Disclosure Agreement ("Annual Reports" and "Interim Reports"); and to provide in a timely manner to designated information repositories notice of the occurrence of certain events, if material (within the meaning of the Continuing Disclosure Rule), and of any failure to provide the Annual Report when due. The Continuing Disclosure Agreement does not require that information be provided to registered owners or Beneficial Owners of the Bonds, but rather requires only that such information be provided to certain information repositories.

RATING

The Bonds have been assigned a rating of "BBB-" by Standard and Poor's Rating Services ("S&P"). Such rating reflects only the views of S&P, at the time such rating was given, and the Authority makes no representation as to the appropriateness of the rating. Any explanation of the significance of the rating may be obtained only from S&P. The Academy furnished to S&P information and materials relating to the Bonds and itself, certain of which information and materials have not been included herein. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn. Revision, qualification or withdrawal of the rating can be expected to have an adverse affect on the market price of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Academy, as of and for the year ended June 30, 2006, included in this Official Statement have been audited by Yeo & Yeo, P.C., independent certified public accountants, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of Yeo & Yeo, P.C., which has not been asked to undertake any additional review in connection with the preparation of this Official Statement. The Academy is not aware of any facts that would make the audited financial statements misleading.

BONDS NOT A DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION

The Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Authority, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Bonds under the Indenture will not directly, indirectly or contingently obligate the State of Michigan, the Authority, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Authority has no taxing power.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Official Statement shall not be construed as constituting an agreement with purchasers of the Bonds. The cover page, introductory statement and the attached Appendices are part of this Official Statement. All information contained in this Official Statement, including the Appendices, is subject to change and/or correction without notice and neither the delivery of this Official Statement nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

The Academy has furnished the information herein relating to itself. The Authority has furnished the information herein relating to itself. The Underwriter has furnished the information in this Official Statement with respect to the offering prices of the Bonds and the information under the caption "UNDERWRITING."

ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.

RICHFIELD PUBLIC SCHOOL ACADEMY

By: /S/ Robert Wright
President

And: /S/ Gareth Volz
Chief Administrative Officer

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APPENDIX A

CHARTER SCHOOLS IN MICHIGAN

Introduction

The following summary pertains to certain provisions of Michigan charter school law, and reference should be made to those provisions in their entirety for a complete understanding of their terms. Further, such laws are subject to future legislative changes by the Michigan Legislature, and certain of the provisions summarized below have changed in recent years. See "RISK FACTORS – Changes in Law," above.

In December of 1993, Michigan became the ninth state to pass charter school legislation. The current charter school statute is codified in the Revised School Code, § 380.501 – 380.507 of the Michigan Compiled Laws (M.C.L.). In Michigan, charter schools are known as public school academies. A public school academy is a state-supported public school that is funded through the State School Aid Act (1979 PA 94, as amended, M.C.L., 388.1601, *et. seq.*) and receives funding through a per pupil base foundation allowance. For the 2006-07 school year, the per pupil allowance is approximately $7,085. For more information regarding funding for Richfield Public School Academy (the "Academy"), see "APPENDIX B – THE ACADEMY – State School Aid Payments."

According to the Michigan Association of Public School Academies ("MAPSA"), there were 225 public school academies serving 92,000 students during the 2005-06 school year and 230 public school academies serving 100,000 students during the 2006-07 school year. Approximately 60% of charter students are minorities and 56% of them qualify for free- or reduced-price lunch. Nearly 85% of Michigan's public school academies had increased or steady enrollment since the 2003-04 school year, and more than two-thirds of those schools have waiting lists. About 8% of charter students have special needs.

Michigan Supreme Court Upholds Law

The Michigan Supreme Court ruled 5-1 on July 30, 1997 that Michigan's original public school academy law was constitutional. The Court ruled that "1993 PA 362 does not violate Constitution 1963, article 8 section 2 or section 3. Further, the 1994 PA 416 repealer is valid and enforceable, requiring remand to the trial court for vacation of the injunction and entry of an order to the Department of Treasury to disburse funds to the public school academies operating under 1993 PA 362." *Council of Organizations and Others for Educ. about Parochiaid, Inc. v. Michigan Dept. of Educ. et. al.*, 455 Mich. 557, 556 N.W.2d 208 (Mich. 1997).

Michigan School Finance Reform

On June 15, 1994, the electors of the State of Michigan approved a ballot proposition ("Proposal A") to amend the State Constitution of 1963 (the "Constitutional Amendment"), in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in Michigan in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among all school districts.

Summary of Certain Statutory Provisions Pertaining to Public School Academies

Definition of Public School Academy (M.C.L. § 380.501(1), 380.502(1))

A public school academy is state-supported public school that is considered both a body corporate and a governmental agency. According to the statutes, a public school academy corporation must be organized under Michigan's non-profit corporation act, M.C.L. §§ 450.2101 to 450.3192. A public school academy is also considered a school district for purposes of borrowing money and issuing notes and bonds pursuant to M.C.L. § 380.1225 and 380.1351a, respectively, and it is subject to the leadership and general supervision of the state board of public education. The state board of education is responsible for issuing an annual comprehensive report evaluating public school academies to the house and senate committees on education. See M.C.L. § 380.501a.

Sponsors of and Applicants for Public School Academies (M.C.L. § 380.502)

Charter contracts may be issued by any one of the following authorizing bodies: (i) local school districts, (ii) intermediate school districts, (iii) community colleges, and (iv) state public universities. Any person interested in operating a public school academy may apply to an authorizing body.

Currently, there is a cap on the number of charter contracts that can be issued by state public universities. The number of contracts for public school academies issued by all state public universities is 150. The number of contracts issued by any one state university shall not exceed 50% of the maximum total that may be issued by state universities.

Method of Establishment and Oversight of Public School Academies (M.C.L. § 380.502(3-7))

When a person applies for a contract to operate a public school academy, the application must: (1) identify the applicant; (2) list the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of the board of directors; (3) include a copy of the proposed articles of incorporation for the public school academy, including (i) the name of the proposed public school academy, (ii) the purposes of the public school academy, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary; (4) include a copy of the proposed bylaws of the public school academy; (5) document the requirements of the authorizing body, including (i) the governance structure of the public school academy, (ii) a copy of the educational goals of the public school academy, the curricula to be offered, and the methods of pupil assessment, (iii) the admission policy and criteria to be maintained, (iv) the school calendar and school day schedule, and (v) the age or grade range of pupils to be enrolled; (6) describe staff responsibilities and the governance structure; (7) identify the local and intermediate school districts in which the public school academy will be located; (8) agree that the public school academy will comply with all applicable state and federal laws; (9) for an application to a school district, assure that employees of the public school academy will be covered by collective bargaining agreements that apply to other public employees in schools; and (10) describe and identify the address where the public school academy will be located.

An authorizing body that issues a contract for a public school academy must oversee the public school academy to ensure that the public school academy is in compliance with statutes, rules, and the terms of the contract. If an authorizing body grants a charter contract, it may charge a fee that does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged. An authorizing body may contract with a public school academy for other services aside from the oversight services.

Legal Status of Public School Academy (M.C.L. § 380.501, 380.503b)

A public school academy is a body corporate, a governmental agency, a public school, and is considered a school district under certain provisions of State law. If a public school academy enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State of Michigan or the authorizing body. The State or an authorizing body is not liable for any debt incurred by a public school academy.

Public School Academy Funding (M.C.L. § 380.507; § 388.1601 et. seq.; 388.1620 et. seq.; § 141.2101 et. seq.)

A public school academy receives funding through the per pupil base foundation, as calculated in Michigan's State School Aid Act, M.C.L. § 388.1601 et. seq. The School Aid Act currently provides that pupil membership is based upon a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. A public school academy's state aid is sent directly to the academy's authorizing body, which then forwards the aid payments to the public school academy. Pursuant to the State School Aid Act, a school district receives its annual state aid entitlement in eleven equal installments on dates in October through August, subject to certain statutory adjustments.

All Michigan public schools, including charter public schools, receive the majority of their state funding in the form of a per pupil foundation allowance. This amount is capped for charter public schools and cannot exceed the lesser of (i) the amount received by the school district in which the charter school is located, or (ii) $300 above the state's basic foundation allowance as annually determined by the Legislature pursuant to the Section 20 of the State School Aid Act of 1979 ("Act 94 of 1979"), Michigan Compiled Laws §388.1620 et. seq.

The Michigan legislature is required to balance the budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the foundation allowance. Section 11 of the School Aid Act, Michigan Compiled Laws §388.1611 et. seq. states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to school districts in order to eliminate the shortfall.

A public school academy may not charge tuition and may not levy taxes. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow. A public school academy may borrow money and may issue bonds in accordance with the Revised School Code, M.C.L. § 380.1 et. seq., and the Revised Municipal Finance Act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Section 18 of the State School Aid Act provides that that not more than 20% of the total amount of State School Aid Payments received by a public school academy for a given School Year may be transferred to either a “capital projects fund” or a “debt retirement fund” for debt service.

Authorizing Body’s Duties With Respect to State School Aid Payments (M.C.L. § 380.507)

The authorizing body for a public school academy is the fiscal agent for the public school academy; therefore, it receives state school aid payments on behalf of the public school academy and then forwards such aid payments to the public school academy (less a fee that it may charge which does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged).

Deficit Budget or Operating Deficit (M.C.L. § 388.1702)

Michigan law provides that a public school academy receiving State School aid shall not adopt or operate under a deficit budget, or incur an operating deficit in any fund, during a school fiscal year. Where a public school academy has an existing deficit or incurs a deficit fund balance, such public school academy shall not receive payments under the School Aid Act until it submits to the Michigan Department of Education (the “Department”) a budget for the current school fiscal year and a plan for the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. In addition, a public school academy with an existing deficit or which incurs a deficit shall submit to the Department a monthly monitoring report on revenue and expenditures in a form prescribed by the Department. Any State School Aid payments that have been withheld from a public school academy due to a deficit will be released to the public school academy after the Department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced.

Revocation of Charter (M.C.L. § 380.507)

A charter contract may be revoked by the authorizing body for the following reasons: (1) failure of the public school academy to abide by and meet the educational goals set forth in the contract, (2) failure of the public school academy to comply with all applicable law, (3) failure of the public school academy to meet generally accepted public sector accounting principles, and (4) any other grounds for revocation as specified in the charter contract. The decision to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency.

Issuance of Contracts (M.C.L. § 380.503)

Public school academy contracts shall be issued on a competitive basis, while taking the following into consideration: (1) the resources available for the proposed public school academy, (2) the population to be served by the public school academy, and (3) the educational goals to be achieved by the public school academy. With respect to applications to a local school district, if the board denies an application for a public school academy contract, the person who applied for the contract may petition the board to place the question of the issuance of the contract on a ballot to be decided by the school electors of the school district. The petition must contain the same requirements that are to be included in an application for a charter contract and must be signed by at least 15% of the school electors in that school district.

Within 10 days of issuing a contract for a public school academy, the authorizing body must submit to the superintendent of public instruction a copy of the contract and application. The authorizing body must also adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction.

A public school academy contract must at least include the following: (1) the educational goals of the public school academy and methods by which it will be held accountable (at a minimum, the pupil performance must be assessed using a Michigan educational assessment program ("MEAP") test or an assessment instrument developed under Michigan's Revised School Code); (2) the method to be used to monitor the public school academy's compliance with applicable laws and its performance in meeting its educational objectives; (3) a description of the process for amending the contract during the term of the contract; (4) all the matters required to be included in the application to an authorizing body for a charter contract; (5) for public school academies authorized by a school district, an agreement that the employees of the public school academy will be covered by any collective bargaining agreements that apply to the employees of the school district; (6) procedures and grounds for revoking the contract; (7) a description and address of the physical plant in which the public school academy will be located; and (8) requirements and procedures for financial audits, which are to be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

Among the laws with which public school academies must comply are Michigan's Revised School Code, Michigan's State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act, and other state and federal laws applicable to public school academies.

Public school academies and their board members, officers and staff have governmental immunity. Public school academies may acquire, hold, and own in their own name buildings and other property for school purposes and may condemn property if certain conditions are met. Public school academies are exempt from all taxation on their earnings and property. They may not levy ad valorem property taxes or any other taxes for any purpose.

Tuition and Admission at Public School Academies (M.C.L. § 380.504)

A public school academy may not charge tuition and may not discriminate in its pupil admissions policies or practices based on race, disability, religion, gender, test scores, intellectual or athletic ability, measures of achievement or aptitude, or any other basis prohibited by law. However, a public school academy may predetermine the ages, grades, and number of students it will serve. If the number of applications to enroll in the public school academy exceeds the school's enrollment capacity, the public school academy shall use a random selection process for selecting pupils. Public school academies may operate any grades from kindergarten through grade 12 and may also operate early childhood education programs, an adult basic education program, adult high school completion program, or general educational development testing preparation program.

Additional Powers of Public School Academies (M.C.L. § 380.504a, 380.506)

In addition to other powers established in the Public School Academy statute, a public school academy may take action to carry out its educational mission. For that purpose, a public school academy has the power to: (i) sue and be sued, (ii) acquire, hold, and own in its own name real and personal property for educational purposes, and sell or convey the property, (iii) receive, disburse, and pledge funds for lawful purposes, (iv) enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy, (v) incur temporary indebtedness as authorized by state statutes, (vi) solicit and accept grants or gifts for educational purposes and establish non-profit corporations for the purpose of assisting the public school academy in furtherance of its public purposes, and (vii) borrow money and issue bonds in accordance with relevant state statutes.

Bonds issued by a public school academy are full faith and credit obligations of the public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued by a public school academy are subject to the revised municipal finance act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Public school academies, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

Teachers and Noncertified Individuals (M.C.L. § 380.505)

Teachers in public school academies are subject to the same certification requirements as traditional public schools, with two exceptions. First, public school academies authorized by a state university may use as a classroom teacher a faculty member who is employed full-time by the university and has institutional tenure or is designated as being on tenure track. Second, public school academies authorized by a community college may use as a classroom teacher a full-time faculty member who has at least five years experience in teaching the subject matter he or she is teaching at the public school academy. Public school academies may develop and implement new teaching techniques or make significant revisions to known techniques. Public school academies must report these practices to the authorizing body and the state board.

THE CHARTER SCHOOL LAWS AND SCHOOL AID ACT ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE SCHOOL AID HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

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APPENDIX B

THE ACADEMY

General

Richfield Public School Academy (the "Academy") is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan. The Academy is organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code, Michigan Compiled Laws M.C.L. § 380.501 et. seq. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 et. seq. The Academy filed its articles of incorporation on October 15, 2002.

The Academy began operating in the 2003-04 school year serving grades K through 5. In each year since 2003-04, the Academy has added an additional grade from grade 6 and upward, such that for 2006-07, the Academy serves students in grades K through 8. The Academy's current enrollment is approximately 460 students. Approximately, 78% of the students at the Academy qualify for free or reduced lunch. The Academy teaches students residing almost exclusively in Genesee County. The Academy operates under a charter contract with Bay Mills Community College ("Bay Mills"). The Academy's charter contract was signed on November 2, 2002 and extends through June 30, 2009.

Facilities and the Project

The Academy will use the proceeds of the Bonds for the following purposes: (i) to finance the acquisition of the Academy's current educational facilities, acquire additional land and construct, equip and furnish an addition to such facilities (the "Project"); (ii) to fund a debt service reserve fund; and (iii) to pay certain costs associated with the issuance of the Bonds.

The Academy will use a portion of the proceeds of the Bonds to purchase its existing facilities, which the Academy currently leases from Flint/Jackson Academy, LLC, Bay City, Michigan (the "Lessor"), pursuant to a lease agreement dated June 24, 2003 (the "Lease"). The existing facilities are located at 3807 North Center Road, Flint, Michigan, and consist of an approximately 37,076 square-foot building with 19 classrooms, a gym, a kitchen, media center, and office space. The Academy will use a portion of the proceeds of the Bonds to purchase the existing facilities, pursuant to an agreement negotiated between the Academy and the Lessor.

The Academy will use a portion of the proceeds of the Bonds to purchase a vacant lot adjacent to its existing facilities, which is approximately 30 feet wide by 360 feet long, and to construct, equip and furnish an addition to its existing facilities on the acquired lot. The addition will consist of approximately 13,850 square feet of classroom space, consisting of approximately ten classrooms of approximately 1,385 square feet each. The additional space will be available for use by students in all grade levels. Drawings and specifications for the new construction portion of the Project have been prepared by Sedgewick & Ferweda Architects, Flint, Michigan (the "Architect"). The Academy expects substantial completion of construction of the Project by August 2007. But see "RISK FACTORS – Project Approvals and Commencement of Construction" and "RISK FACTORS – Construction Costs and Completion of Construction," above.

Mission Statement and Educational Philosophy

The Academy is committed to providing a safe, nurturing environment where students develop self-esteem, academic achievement, leadership, multi-cultural awareness, community involvement and a love for life-long learning.

The Academy's educational philosophy is based on the following beliefs:

- every person has the right to be treated with dignity and respect.
- all people have the right to learn and work in a safe and orderly environment.
- all students can learn.
- the learning process is a responsibility shared by parents, community, students and the Academy.
- the ability to communicate is vital to success.

- learning is a lifelong process.
- every person is unique and has the right to have his or her individual needs addressed.

Curriculum

The Academy utilizes the Paragon Curriculum, an interdisciplinary program that attempts to instill a conceptual understanding and chronological picture of history, as well as an awareness of the interrelationship between different domains of knowledge. According to the Academy, the Paragon Curriculum converges technology with the humanities and combines classical education with contemporary relevance. Students learn about character, ethics, empathy and self-esteem by studying the world's great heroes and historical figures. The Paragon Curriculum looks to the past to prepare students to become the architects of tomorrow.

The Academy describes the Paragon Curriculum as interdisciplinary, discovery-based, student-centered, and multi-cultural. According to the Academy, the Paragon Curriculum is unique because it: (i) replaces the traditional history and social studies curriculum; (ii) contributes to education reform; (iii) balances cultural literacy with hands-on learning; and (iv) fulfills state and national history, social studies, and geography standards.

According to the Academy, Paragon's hands-on approach accommodates students' individual learning styles. Rather than teach history in an arbitrary sequence, the Paragon Curriculum's fully integrated, chronological approach demonstrates to students how one idea builds on and evolves into another. The curriculum illustrates how sweeping cycles repeat, and leads students to understand the evolution of world cultures. Through the Paragon Curriculum, students study history across continents, and gain understanding of the manner in which many ideas develop at the same time in different cultures independently. Through this, students develop a larger picture of history and the associated interrelationships. Rather than memorize names, dates, and events in isolation, students recall the sequential circumstances surrounding these events and remember more readily both factual information and conceptual relevance.

Students learn connected networks of knowledge, skills, beliefs, and attitudes that are useful both in and outside of school. Daily lesson plans are organized around essential questions. The significance of the content is emphasized both in how the information is presented to students, the way the idea is developed through activities, and the way the information is authentically assessed.

Charter Contract

The Academy obtained its charter contract from Bay Mills on November 2, 2002, and is currently set to expire on June 30, 2009. To obtain its charter contract, the Academy filed a written application with Bay Mills requesting that the Academy be established, and negotiated the terms of the charter with Bay Mills. Pursuant to an oversight agreement in the charter, Bay Mills reviews the Academy's audited financials, records, and internal operations to determine whether the Academy is in compliance with applicable law and the charter. Bay Mills also determines whether the Academy has met the educational goals set forth in the charter. Bay Mills receives 3% of the Academy's State School Aid Payments for providing such oversight and review.

Revocation of the Charter Contract

Under its terms and conditions, the Academy's charter contract may be terminated by the Bay Mills Community College Board of Regents (the "Board of Regents") at any time, for any reason, if either party submits a certified resolution requesting termination. The charter contract would terminate at the end of the school year in which such terminating resolution is submitted.

The charter contract may also be revoked by the Board of Regents upon a determination by the Board of Regents that one or more of the following grounds for revocation has occurred:

(a) failure of the Academy to abide by and meet the educational goals set forth in the charter contract;

(b) failure of the Academy to comply with all State and federal laws applicable to public school academies;

(c) failure of the Academy to meet generally accepted public sector accounting principles; or

(d) the existence of one or more other grounds for revocation specified in the Academy's charter contract.

Regarding "other grounds" for revocation specified in the charter contract, the Board of Regents may also revoke the charter upon a determination by the Board of Regents that one or more of the following has occurred:

(a) the Academy is insolvent or has been adjudged bankrupt;

(b) the Academy has insufficient enrollment to successfully operate a public school academy; or the Academy has lost more than fifty percent (50%) of its student enrollment from the previous year;

(c) the Academy defaults in any of the terms, conditions, promises or representations contained in or incorporated into the charter contract;

(d) the Academy files amendments to its Articles of Incorporation without first obtaining approval from Bay Mills;

(e) the Bay Mills Charter Schools Office Director (the "CSO Director") discovers grossly negligent, fraudulent or criminal conduct by the Academy's applicants, directors, officers, employees or agents in relation to their performance under the charter contract; or

(f) the Academy's applicants, directors, officers, employees or agents have provided false or misleading information or documentation in connection with the Board of Regents' approval of the charter application, the issuance of the charter.

Revocation Procedure

The decision to renew or revoke the charter contract is at the full discretion of the Board of Regents, is final, and is not subject to review by a court or any State agency. However, to revoke the charter, the Board of Regents must follow certain procedures:

(a) Upon reasonable belief that grounds for revocation of the charter exist, Bay Mills must notify the Academy's Board of Directors of such grounds by issuing a "Notice of Intent to Revoke." Such notice must be in writing and must set forth in detail the alleged grounds for revocation. The Academy then has 30 days to respond in writing to the alleged grounds for revocation. If the allegations of non-compliance are true, the Academy's responses must include a description of the Academy's plan and timeline for correcting the non-compliance.

(b) Within 15 days of receipt of the Academy's response, the CSO Director will develop a plan for correcting the non-compliance. In developing a plan of correction, the CSO Director is permitted to adopt, modify or reject the Academy's response.

(c) The CSO Director may initiate a revocation hearing if the CSO Director determines that any of the following has occurred:

(i) the Academy's Board of Directors has failed to respond to the Notice of Intent to Revoke as set forth in the charter contract;

(ii) the response from the Academy's Board of Directors to the Notice of Intent to Revoke is non-responsive;

(iii) the response of the Board of Directors admits violations of the charter or Applicable law which the CSO Director deems cannot be remedied or cannot be remedied in an appropriate period of time, or for which the CSO Director determines that a plan of correction cannot be formulated;

(iv) the response of the Board of Directors contains denials that are not supported by sufficient documentation demonstrating compliance with the charter contract or applicable law;

(v) the Board of Directors has not complied with part or all of the plan of correction as established by the CSO Director;

(vi) the Board of Directors has engaged in actions that jeopardize the financial or educational integrity of the Academy;

(vii) the Board of Directors has been issued multiple or repeated Notices of Intent to Revoke.

(d) Within 30 days of receipt of a request for revocation hearing, the hearing panel will convene a hearing. The Academy will receive notice of the hearing at least 10 days before the hearing. Within 30 days of the hearing, the panel will make a recommendation to the Board of Regents concerning the revocation of the charter contract. The Board of Regents must then consider the panel's recommendation and vote on whether to revoke the charter contract. If the Board of Regents decides to revoke the charter, any state school aid funds received by the Board of Regents, after a recommendation is made by the panel or the Board of Regents has voted to revoke the charter, may be withheld by Bay Mills or returned to the Michigan Department of Treasury upon request.

Suspension of the Charter Contract

In addition to the procedure regarding revocation of the charter contract described above, the Board of Regents may immediately suspend the charter if it determines that there is probable cause that the Academy:

(a) has placed the health or safety of the staff or students at risk;

(b) is not properly exercising its fiduciary obligations to protect and preserve the Academy's public funds and property;

(c) has lost its right to occupancy of the physical facilities and cannot find another suitable physical facility for the Academy prior to the expiration or termination of its right to occupy its existing physical facilities;

(d) has failed to secure or has lost the necessary fire, health and safety approvals;

(e) has committed grossly negligent, fraudulent or criminal conduct; or

(f) has provided false or misleading information in connection with the Board of Regents' approval of the application, the issuance of the charter, or the Academy's reporting requirements under the charter contract.

Such suspension would take effect immediately and would remain effective pending the notice and hearing procedures described above. Any state school aid funds received by the Board of Regents after the charter contract has been suspended shall be retained by the Board of Regents until the charter is reinstated, or must be returned to the Michigan Department of Treasury upon request. The Board of Regents may immediately convene a revocation hearing, provided that the Academy receives notice at least five days before the hearing. If the Academy continues to engaged in conduct described in the suspension notice, the Board of Regents may after receiving a recommendation from the hearing panel, vote to revoke the charter contract.

Board of Directors

The Academy is organized as a Michigan nonprofit corporation and as such operates in accordance with its Articles of Incorporation and Bylaws. Under the Bylaws, the Academy's Board of Directors is responsible for the management of the business, property and affairs of the Academy. Under the Bylaws, the Board of Regents establishes the method of selection, length of the term, and number of members that may serve on the Academy Board of Directors. Directors are elected for three-year terms at each annual meeting, in sufficient numbers to fill the terms then expiring. The Board of Regents appoints the Board of Directors by formal resolution, based on a recommendations from the Bay Mills Vice President for Charter Schools.

Under the Bylaws, the members of the Academy's Board of Directors must include one parent or guardian of a child attending the school and one professional educator. The Board must have no fewer than five and no more than nine members. The Academy's Board of Directors currently consists of five members, and brief biographical information pertaining to each is presented below.

Robert Wright – President

Robert Wright serves as the President of the Academy's Board of Directors, and has served on the Board since 2002. Mr. Wright is one of three partners in a family owned financial planning firm. Mr. Wright previously worked for the Texas Instruments Defense Group, and before that was an instructor for pre-retirement planning classes. Mr. Wright was a charter board member for the Kay Lawrence Memorial Fund. He is a member of the International Association for Financial Planning and of the Flint Rotary Club. He was also a past Junior Achievement volunteer. Mr. Wright received his bachelor of science degree and master of arts degree in Mechanical Engineering from Michigan Technological University.

Joan Prout – Vice President

Joan Prout serves as Vice President of the Academy's Board of Directors and has served on the Board since 2004. Ms. Prout received her associate of Business Administration degree in Computer Information Systems from Baker College of Flint and is currently working on her Bachelor degree at Baker College.

Sandra Hozeska – Treasurer

Sandra Hozeska serves as the Treasurer of the Academy's Board of Directors and has served on the Board since 2005. Ms. Hozeska serves as a controller for a local plumbing distribution firm. She is responsible for the preparation of monthly financial statements, reconciling the general ledger accounts, monitoring payroll, and assisting with human resources and employee benefit plans. Prior to that, Ms. Hozeska has worked for companies such as A&S Supply Company, Inc., General Motors Services Parts, and Flint Municipal Credit Union, in the area of Accounting. Ms. Hozeska received her bachelor of business administration in accounting from the University of Michigan.

Recco Richardson – Secretary

Recco Richardson serves as Secretary of the Academy's Board of Directors and has served on the Board since 2006. Mr. Richardson serves as an independent contractor at Hurley Mental Health Associates, where he performs clinical assessments, intake assessments, referrals, individual/family counseling and securing insurance authorizations. Previously, he was a program manager for Catholic Charities, as well as a Prevention Specialist. Mr. Richardson also has experience as a therapist and case manager at the Whaley Children Center. Mr. Richardson received his bachelor of science in business from Ferris State University. He also received his Masters of Art in counseling education from Central Michigan University and is currently working on his Doctor of Philosophy in clinical psychology from Walden University.

Rebecca Kirk – Trustee

Rebecca Kirk serves as a Trustee of the Academy's Board of Directors and has served on the Board since 2004. She is a stay at home mom and is a parent of a child who attends the Academy.

Administrators

Listed below are key administrators of the Academy, along with brief biographical administration pertaining to each. All of these employees are employees of Mosaica Education, Inc, New York, New York ("Mosaica" or the "Services Provider"). See "Services Provider," below.

Gareth Volz – Chief Administrative Officer

Gareth Volz has served as the Academy's Chief Administrative Officer since 2002. In this capacity, he is responsible for overseeing the operation of the Academy at the direction of the Board of Directors. He evaluates the teaching and support staff, works with Mosaica's Financial Department to plan and administer the annual budget, and plans and administers the staff development program. Previously, Mr. Volz was the Superintendent of Oakland Christian School in Auburn Hills, Michigan from 1996 to 2002. From 1988-96, he was the Superintendent at Walnut Ridge Baptist Academy in Waterloo, Iowa. From 1984-88, Mr. Volz was the Principal at Plymouth Christian Academy in Canton, Michigan. Prior to serving as an administrator, he was a classroom teacher in Detroit Public Schools for 14 years. Mr. Volz received his Bachelor of Arts degree in Political Science and his Master of Arts degree in Curriculum from Wayne State University. He also obtained a Specialist of Arts in Educational Leadership from Eastern Michigan University.

Roger Gray – Director of Finance

Roger Gray is an employee of Mosaica and has served as the Academy's Director of Finance since June 2006. He has also served as the Academy's Controller. Previously, he served in the capacity of Senior Vice President of School Finance since 2003. He has served in these capacities since 2003. His responsibilities include supervising school accounting functions for schools managed by Mosaica, assisting regional controllers in monitoring budget preparation, analysis and revisions. Other responsibilities include providing controller functions in single school markets, forecasting for facility financing opportunities and research on regulations related to new markets. He has been a Certified Public Accountant since January 1996. Previous to his work at Mosaica, Mr. Gray was a Senior Manager at Yeo & Yeo, P.C. Mr. Gray received his bachelor of science degree in business administration from Central Michigan University.

Laura Ash – Business Manager

Laura Ash is an employee of Mosaica and has served as the Academy's Business Manager since 2006. Previously, Ms. Ash served as the Chief Financial Officer and Business Manager at Coldwater Community Schools. She was also the Finance Services Administrator for the 9th Judicial Circuit Court and prior to that served as the Director of Finance at Neighborhoods Inc. of Battle Creek and the Business Director at Olivet Community Schools. Ms. Ash received her bachelor of arts degree in Business Administration from Olivet College and a master of arts degree in Educational Leadership from Central Michigan University.

Services Provider and the Educational Provider Agreement

Services Provider

The Academy has entered into an educational provider agreement (the "Agreement") with Mosaica pursuant to which Mosaica provides management services to the Academy. Mosaica has provided such services to the Academy since the Academy's inception in 2003. The Agreement is for a term through June 30, 2009. Upon expiration of the term, the Agreement will automatically renew for an additional period equal to the term of any valid charter agreement entered into by the Academy. Mosaica is a Delaware corporation founded in 1997 and a private operator of K-12 public schools. It currently operates 40 charter school programs in eight states and the District of Colombia. In Michigan, Mosaica provides educational services to 11 other public school academies.

Summary of the Educational Provider Agreement

The following is a brief summary of certain provisions of the educational provider Agreement between the Academy and Mosaica. The following summary is not intended to be definitive, and it is not a complete explanation of all provisions of the Agreement. Reference should be made to the Agreement, which is available from the Academy upon request, for a complete recital of its terms.

Provision of Educational Services

Under the Agreement, Mosaica provides educational and administrative services to the Academy. Mosaica develops and implements the curriculum, and provides instructional tools, equipment, supplies, text books, computers, software and multi-media teaching tools. Mosaica also provides instructional services and personnel. Pursuant to the Agreement, Mosaica provides management and professional development of all personnel who provide educational and administrative services to the Academy. Mosaica is responsible for hiring the Chief Administrative Officer, teachers and support staff. In addition, Mosaica provides administrative services such as personnel management, facility operation and maintenance, business administration, transportation and food services, public relations, and preparation of financial reports.

Compensation of Mosaica

The Academy is in the process of negotiating changes to the compensation provisions of the Agreement with Mosaica to place the Agreement in compliance with IRS Rev. Proc. 97-13. Under the currently proposed version of the Agreement, commencing July 1, 2007, for the term of the Agreement, including each renewal term, the Academy will pay Mosaica an annual fee of $565,000 per year (the "Base Management Fee"), payable in 12 equal monthly installments. The Base Management Fee shall be increased or decreased on July 1st each succeeding year, by the increase in the GDP Deflator (the "GDI") over the prior year. Under the currently proposed version of the Agreement, Mosaica is also entitled to receive a bonus for any fiscal year of the Academy in which the Academy's revenues exceed its "Base Year Revenues as Adjusted," which, under the Agreement, is defined as $4,520,000 for fiscal year 2008 and in each subsequent fiscal year is calculated as the product of the prior year's Base Revenues as Adjusted multiplied by the GDI over the prior year. The bonus payment in any given year shall be equal to 12.5% of the difference between such year's actual revenues and that year's Base Year Revenues as Adjusted, provided that such amount shall not exceed 25% of the Base Management Fee during such fiscal year. Mosaica is also entitled to receive a one-time incentive award under the Agreement if the Academy's revenues in any given year exceed the product of the Base Management Fee as Adjusted multiplied by ten. The incentive award is equal to the product of $150,000 multiplied by the GDI over the period from July 1, 2007 through June 30 of the fiscal year preceding the year in which the Incentive Award is first to be paid multiplied by the number of years left in the then-current term of the Agreement. Under the currently proposed version of the Agreement, the Management Fee, including the Base Management fee and any bonus and/or one-time incentive payment described above due to Mosaica in any one fiscal year, shall not exceed 12.5% of the operating revenues of the Academy in such fiscal year. The Academy has approved the compensation provisions of the currently proposed form of the Agreement, but they remain subject to the approval of the Academy’s Authorizer and the legal representatives of certain parties to the financing transaction. The Academy expects to receive such approvals prior to the Closing Date for the Bonds.

Termination

Mosaica may terminate the Agreement prior to the end of the term in the event that the Academy fails to remedy a material breach within 30 days after written notice from Mosaica. A material breach includes, but is not limited to (i) Mosaica's failure to receive any fee or reimbursement as required under the Agreement; (ii) implementation by the Academy of any curriculum which substantially varies from the Paragon Curriculum or the material recommendations of Mosaica; or (iii) an act or omission that causes Mosaica to be unable to perform its material obligations under the Agreement.

The Academy may also terminate the Agreement prior to the end of the term in the event that Mosaica fails to remedy a material breach of the Agreement within 30 days after written notice of the breach. A material breach by the Services Provider includes (i) material failure to account for its expenditures; (ii) failure to substantially follow the policies, procedures, rules, regulations or curriculum adopted by the Board; (iii) failure to abide by and meet the educational goals set forth in the charter contract such that the charter contract will be terminated; (iv) the employment of teachers in violation of the law; or (v) any act or omission of gross negligence that causes the Academy to breach the charter contract or any of the Academy's other material contractual obligations in a material way.

Proprietary Rights

Under the Agreement, the Academy owns all propriety rights to curriculum or educational materials that were both directly developed and paid for by the Academy or developed by Mosaica at the direction of the Academy with Academy funds dedicated for the specific purpose of developing such curriculum or materials. This does not, however, include curriculum or general materials developed by Mosaica for the general curriculum development of Mosaica. Mosaica owns the intellectual property interests in the Paragon Curriculum licensed to the Academy during the term of the Agreement.

Indemnification

Under the Agreement, the Academy is required to indemnify Mosaica and its affiliates and all their respective employees, officers, directors, subcontractors and agents harmless against any and all claims, demands, suits or other forms of liability which may arise out of any noncompliance by the Academy with agreements, covenants, warranties, or undertakings of the Academy contained in or made pursuant to the Agreement. Mosaica is required to indemnify the Academy and all of its employees, officers, directors, subcontractors and agents against all claims, demands, suits or other forms of liability that may arise out of any noncompliance by Mosaica with agreements, covenants, warranties, or undertakings of the Academy contained in or made pursuant to the Agreement.

Faculty

Currently, the Academy is staffed with 30 teachers, 20 support staff, and additional employees consisting of a Behavior Improvement Specialist and Literacy Coach. Under the terms of the Academy's agreement with Mosaica, all such teachers, support staff and additional employees are employees of and compensated by Mosaica. Also under the Agreement, Mosaica is responsible for determining the number of teachers needed at the Academy. Similarly, Mosaica determines staffing levels for the Academy's support staff. The Academy estimates that since 2000, it has retained from approximately 73.3% to approximately 90.9% of its teachers from year to year.

The Academy's teachers and support staff are provided by Mosaica under the terms of the Agreement. The Academy strives for a targeted classroom size of 25. The following table provides average student-faculty ratios at the Academy on a grade-by-grade level for the school years shown.

TABLE 1: STUDENT / FACULTY RATIOS

Grade	2004-05	2005-06	2006-07
K	32:1	24:1	25:1
1	24:1	24:1	23:1
2	24:1	24:1	23:1
3	22:1	20:1	21:1
4	22:1	24:1	27:1
5	24:1	21:1	23:1
6	28:1	30:1	19:1
7	-	22:1	25:1
8	-	-	26:1

Source: the Academy.

Enrollment

The following table sets forth data provided by the Academy regarding its historical and projected enrollment. For the years 2003-04 through 2006-07 the numbers are based on actual student counts as of the Fall student count dates. For years 2007-08 and thereafter, the numbers are projections provided by the Academy, and are subject to the general qualifications and limitations described under "INTRODUCTION – Forward-Looking Statements," above. The Academy's existing facilities provide physical space for approximately 500 students. The Academy expects that completion of the Project will provide space for an additional 125 students.

TABLE 2: HISTORICAL AND PROJECTED ENROLLMENT BY GRADE LEVEL

Grade	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
K	78	94	72	50	66	75	75	75	75
1	47	64	95	71	60	75	75	75	75
2	36	48	71	87	75	66	75	75	75
3	35	43	60	63	88	75	75	75	75
4	20	35	51	53	69	75	75	75	75
5	35	23	42	47	50	75	75	75	75
6	–	29	30	39	50	50	75	75	75
Subtotal	251	336	421	410	458	491	525	525	525
7	–	–	23	33	50	50	50	50	50
8	–	–	–	17	40	50	50	50	50
Subtotal	–	–	23	50	90	100	100	100	100
Totals	251	336	444	460	548	591	625	625	625

Source: the Academy. Data presented for 2003-04 through 2006-07 is actual data as of the third Wednesday of September of those school years. Data presented for 2007-08 through 2010-11 is projected by the Academy.

Pre-enrollment List

The Academy does not currently maintain a waiting list. Since the Academy has been able to accommodate all eligible students, there has not been a need to maintain a waiting list. However, the Academy does maintain a pre-enrollment list each year of new students who have expressed the intent to enroll during the following year. (This pre-enrollment figure is in addition to and hence does not include students enrolled in the prior year.) According to the Academy, it maintains regular contact with such students and their families as part of its recruitment efforts. The following table provides pre-enrollment information for the Borrower as of May 14, 2007.

TABLE 3: PRE-ENROLLMENT LIST

Grade	2006-07
K	63
1	3
2	4
3	3
4	0
5	3
6	3
7	6
8	1
Totals	86

Source: the Academy.

Student Retention

The following table shows the percentage of the Academy's 2005-06 class that returned to attend school at the Academy at the beginning of the 2006-07 year.

TABLE 4: 2005-06 TO 2006-07 STUDENT RETENTION DATA

School	Enrolled at end of 2005-06	Re-enrolled for 2006-07	Percentage
Elementary School	420	401	95%
Middle School*	22	22	100%

Source: the Academy.

* Does not include eighth graders (the Academy did not offer an 8th grade in 2005-06).

Service Area and Competing Schools

The Academy provides public education for grades K through 8. The Academy teaches students residing almost exclusively in Genesee County. According to the Academy, approximately 91.36% of its current student body resides within the boundaries of the Flint Public School District, and no other public school district accounts for more than 3%. There are two elementary schools within a five-mile radius of the Academy (both are located within the Flint Public School District).

Academic Achievement Indicators

The Michigan Revised School Code and the State School Aid Act require the establishment of educational standards and the assessment of students' academic achievement. Accordingly, the Michigan Educational Assessment Program (MEAP) was initiated by the State Board and funded by the Michigan legislature through Public Act 307 of 1969 (Section 14). According to the Michigan Department of Education, the MEAP tests were developed to measure five core content areas: mathematics, reading, science, social studies, and writing. They measure student achievement, as compared to standards set by the State Board of Education, at key checkpoints during a student's academic career. The MEAP test is the only common measure given statewide to all students and serves as a measure of accountability for Michigan schools.

Elementary and middle school MEAP assessment tests are administered in the Fall of each school year in grades 3, 4, 5, 6, 7, 8 and 9. The scores for the various MEAP subjects such as Math, Science, Social Studies, Reading, Writing, and the integrated English language arts (ELA), are divided into four performance levels: Level 1: exceeded State standards; Level 2: met state Standards; Level 3: basic level; and Level 4: apprentice level. The number of subjects students are tested in varies from grade to grade. The following table shows the actual percentage of Academy students that either met or exceeded State Standards on the MEAP test, as compared to the Flint Public School District and the State.

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TABLE 5: MICHIGAN EDUCATIONAL ASSESSMENT EXAM PROFICIENCY PERCENTAGES

	Richfield Public School Academy	Flint Public School District	State of Michigan
	2005 TEST SCORES		
Grade 3			
Math	77.80%	72.00%	87.10%
Reading	76.20%	73.60%	86.60%
Writing	44.40%	43.10%	51.50%
English Lang. Arts	69.80%	60.60%	77.90%
Grade 4			
Math	53.30%	63.70%	81.70%
Reading	53.30%	63.00%	83.20%
Writing	15.60%	42.8%	54.80%
English Lang. Arts	35.60%	52.9%	75.60%
Grade 5			
Math	38.10%	47.2%	73.40%
Reading	42.90%	59.8%	80.00%
Science	47.60%	48.1%	76.80%
Writing	40.50%	53.6%	62.90%
English Lang. Arts	38.10%	55.2%	74.90%
Grade 6			
Math	21.40%	38.0%	65.10%
Reading	32.10%	63.50%	79.60%
Social Studies	25.00%	62.20%	78.30%
Writing	25.00%	65.50%	74.80%
English Lang. Arts	21.40%	61.10%	76.70%
Grade 7			
Math	20.80%	22.50%	59.60%
Reading	20.80%	49.30%	75.80%
Writing	8.30%	40.60%	66.70%
English Lang. Arts	8.30%	43.50%	72.80%

Source: the Academy, from Michigan Department of Education statistics.

TABLE 5, CONT.: MICHIGAN EDUCATIONAL ASSESSMENT EXAM PROFICIENCY PERCENTAGES

	Richfield Public School Academy	Flint Public School District	State of Michigan
	2006 TEST SCORES		
Grade 3			
Math	72.60%	65.10%	88.00%
Reading	77.40%	68.50%	87.00%
Writing	30.60%	30.30%	52.00%
English Lang. Arts	67.70%	54.90%	79.00%
Grade 4			
Math	61.10%	60.00%	85.00%
Reading	57.40%	65.20%	85.00%
Writing	18.50%	29.30%	45.00%
English Lang. Arts	44.40%	53.10%	78.00%
Grade 5			
Math	34.00%	46.50%	76.00%
Reading	44.70%	65.80%	84.00%
Science	48.90%	56.20%	83.00%
Writing	17.00%	38.20%	57.00%
English Lang. Arts	27.70%	55.60%	78.00%
Grade 6			
Math	30.80%	43.40%	69.00%
Reading	59.00%	68.10%	83.00%
Social Studies	25.60%	51.70%	74.00%
Writing	46.20%	36.70%	74.00%
English Lang. Arts	51.30%	38.20%	78.00%
Grade 7			
Math	39.40%	22.90%	64.00%
Reading	66.70%	48.30%	80.00%
Writing	45.50%	38.20%	65.00%
English Lang. Arts	54.50%	41.80%	76.00%
Grade 8			
Math	56.30%	27.20%	68.00%
Reading	37.50%	41.40%	76.00%
Science	43.80%	36.80%	75.00%
Writing	18.80%	32.60%	67.00%
English Lang. Arts	31.30%	34.50%	71.00%

Source: the Academy, from Michigan Department of Education statistics.

AYP Status

The No Child Left Behind Act of 2001 uses Adequate Yearly Progress ("AYP") to measure and hold schools and districts responsible for student achievement in English language, arts and mathematics. In Michigan, AYP is based on MEAP test results, participation rates in MEAP testing, and attendance or graduation rates. The Michigan Department of Education annually makes a determination of AYP for all public elementary, middle schools, and high schools in the State.

The Department also publishes annual "report cards," which report on whether schools have met AYP. The report cards also score schools by assigning scores in particular content areas and by assigning a composite score, which, generally, is arrived at by combining (i) student achievement in the particular content areas, (ii) an evaluation of indicators of school performance, and (iii) AYP status. For 2005-06, the Academy met AYP and received a composite grade of C from the Department of Education. The Academy's report card for 2005-06 is available on the Department of Education's web site, at http://www.michigan.gov/mde).

Short-Term Debt

The Academy currently has outstanding its $650,000 State Aid Note, dated August 29, 2006 (the "Note"). The Note matures on June 30, 2007, and approximately $148,526.40 in aggregate principal of the Note is currently outstanding.

State School Aid Payments

The Academy's principal source of revenue is a per-pupil foundation allowance received from the State pursuant to the State School Aid Act of 1979 ("Act 94 of 1979"), Michigan Compiled Laws § 388.1601 et. seq. State School Aid Payments are sent directly to the Academy's authorizer, which forwards the payments to the Academy, minus its 3% authorizer fee. The following table shows the basic State per-pupil foundation allowance (the minimum foundation allowance established annually by the Legislature), the maximum public school academy per pupil foundation allowance, the per pupil foundation allowance allocation for the Academy, and the actual per pupil foundation allowance received by the Academy, for the years shown below.

TABLE 6: PER-PUPIL BASE FOUNDATION ALLOWANCE

Fiscal Year	Basic State Per Pupil Foundation Allowance*	Maximum PSA Per Pupil Foundation Allowance**	Per Pupil Foundation Allowance Allocation for the Academy***	Actual Per Pupil Foundation Allowance received by the Academy****
2003-04	$6,700	$7,000	$7,000	$6,926
2004-05	6,700	7,000	7,000	7,000
2005-06	6,875	7,175	7,175	7,175
2006-07	7,098	7,385	7,385	7,385

Source: the Academy, from information published in the Michigan School Aid Act Compiled, Appendix C, published by the Michigan House and Senate Fiscal Agencies.

* The basic foundation allowance is annually determined by the Legislature.

** All Michigan public schools, including public school academies, receive the majority of their State funding in the form of a per pupil foundation allowance. Under Section 20(6) of the School Aid Act, for public school academies, this amount is capped at the lesser of (i) the amount received by the school district in which the public school academy is located, or (ii) $300 above the State's basic foundation allowance as annually determined by the Legislature.

*** In the years shown, the Academy was eligible to receive the maximum PSA per pupil foundation allowance by virtue of the amount received in those years by the school district in which the Academy resides.

**** The actual per pupil foundation allowance received by the Academy is the allocation amount as adjusted to reflect the effect of the application of the proration provisions of the School Aid Act. In 2003-04, the proration was $74 per pupil for all schools. See also "RISK FACTORS - Delay in, Reduction, or Termination of State School Aid."

On April 30, 2007, the State Budget Director notified the Academy that it will be subject to an estimated proration for the 2006-07 fiscal year of $122 per pupil. Subsequently, at its May 18, 2007 revenue estimating conference, the Michigan House and Senate fiscal analysts and the State Treasurer projected a shortfall in the State school aid fund for 2006-07 of approximately $203 million and a foundation allowance reduction of approximately $116 per pupil. On May 30, 2007, the House of Representatives passed a tobacco securitization bill that proposes to provide funding for the budget shortfall. The actual foundation allowance proration will depend on future revenue estimates and, more generally, is subject to the State's budget process. Thus, the actual foundation allowance proration to which the Academy will be subject cannot be predicted with certainty at present, and could be significantly greater than $122 (or $116) per pupil. Because the primary source of revenue received by the Academy is the per pupil foundation allowance, such reduction could materially adversely affect the Academy's ability to make debt service payments on the Bonds. See "RISK FACTORS – Delay in, Reduction or Termination of State School Aid."

Federal and State Funding

Public school academy students are similar to public school students for the purpose of eligibility for federal entitlement programs. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow.

Projected Revenues and Expenditures

This Official Statement contains certain "forward-looking" statements of the type described in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See "INTRODUCTION – Forward-Looking Statements" above. Although the Academy believes that the assumptions upon which the forward-looking statements contained in this Official Statement are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. All phases of the operations of the Academy involve risks and uncertainties, many of which are outside the control of the Academy and any one of which, or a combination of which, could materially affect the results of the Academy's operations. Factors that could cause actual results to differ from those expected include, but are not limited to, general economic conditions such as inflation and interest rates, both nationally and in Michigan; the willingness of the State to fund public school academies at present or increased levels; competitive conditions within the Academy's market, including the acceptance of the education services offered by the Academy; lower enrollments than projected; unanticipated expenses; the capabilities of the Academy's management; changes in government regulation of the education industry or in Michigan laws governing public school academies; future claims for accidents at the Academy's sites and the extent of insurance coverage for such claims; and other risks discussed in this Official Statement. See "RISK FACTORS" above.

NO REPRESENTATION OR ASSURANCE CAN BE GIVEN THAT THE ACADEMY WILL REALIZE REVENUES IN AMOUNTS SUFFICIENT TO MAKE THE REQUIRED DEBT SERVICE PAYMENTS WITH RESPECT TO THE BONDS. THE REALIZATION OF FUTURE REVENUES IS DEPENDENT UPON, AMONG OTHER THINGS, THE MATTERS DESCRIBED IN "RISK FACTORS" AND FUTURE CHANGES IN ECONOMIC AND OTHER CONDITIONS THAT ARE UNPREDICTABLE AND CANNOT BE DETERMINED AT THIS TIME. THE UNDERWRITER MAKES NO REPRESENTATION AS TO THE ACCURACY OF THE PROJECTIONS CONTAINED HEREIN, NOR AS TO THE ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED.

The following Historical and Projected Revenues, Expenditures and Changes in Fund Balance have been prepared by Mosaica for the Academy, with assistance from the Academy and the Academy's financial advisor. The revenue projections are based on enrollment information and other revenues received as discussed herein. The expense projections are based upon historical operations and additional expenses associated with the Project.

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TABLE 7: HISTORICAL AND PROJECTED REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

(dollar amounts in thousands)

F.Y. Ending June 30	2005-06 (Audited)	2006-07 Approved Budget 1/24/07	2007-08 (Forecast)	2008-09 (Forecast)	2009-10 (Forecast)	2010-11 (Forecast)	2011-12 (Forecast)
Blended Student Count	**429**	**446**	**522**	**560**	**606**	**617**	**625**
Fall Enrollment	**445**	**468**	**548**	**591**	**625**	**625**	**625**
State Revenue - Foundation per Pupil (1)	**$7.175**	**$7.260**	**$7.260**	**$7.333**	**$7.406**	**$7.480**	**$7.555**
REVENUES							
Local Revenue	37.23	38.45	38.91	44.16	47.09	49.46	49.68
State Revenue - Foundation	3,029.21	3,456.01	3,740.40	4,050.00	4,428.50	4,552.10	4,658.90
State Revenue - Special Ed.	62.20	37.90	45.65	58.13	57.65	59.30	62.87
State Revenue - At-Risk	157.62	262.05	275.60	322.71	348.00	368.05	368.05
State Revenue - Misc.	0.00	4.73	0.00	0.00	0.00	0.00	0.00
Pre-School Grant (MPSR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Federal Revenue	361.96	455.69	355.68	416.48	449.16	475.00	475.00
Other Financing Sources	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenues	**$3,648.21**	**$4,254.84**	**$4,456.24**	**$4,891.48**	**$5,330.43**	**$5,503.91**	**$5,614.50**
EXPENSES							
Elementary Instruction Services	954.07	931.32	1,155.10	1,100.90	1,173.15	1,193.55	1,226.40
Middle School Instruction	88.37	232.24	388.30	346.90	406.30	440.30	450.20
Instruction - Pre K	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Added Needs - Special Ed.	152.60	230.72	286.49	291.34	302.29	314.75	316.06
Title I	160.48	326.31	247.58	289.90	312.65	330.63	330.63
Title IIA, Title IID, Title VA	37.67	37.81	36.93	43.25	46.64	49.32	49.32
At-Risk	157.64	262.05	275.60	322.71	348.03	368.05	368.05
Chart School Grant (Grant Ended 6/3/06)	130.60	0.00	0.00	0.00	0.00	0.00	0.00
Support Services - Instructional	48.71	67.22	73.73	80.18	82.69	91.16	88.06
Support Services - Board of Ed.	32.86	50.00	38.80	40.41	42.09	43.84	45.67
Management Fees	456.03	531.86	557.00	611.40	666.30	688.00	701.80
Support Services - Exec. Admin. & Business	130.18	142.96	149.45	161.08	174.66	180.68	186.56
School Administration	196.70	203.97	286.65	314.71	318.37	326.56	335.08
O&M (Excluding Facility Lease Payments)	191.37	224.27	272.97	307.33	326.97	361.39	402.72
Facility Lease Payments	589.81	645.00	0.00	0.00	0.00	0.00	0.00
Property Taxes	107.76	116.00	0.00	0.00	0.00	0.00	0.00
Support Services - Pupil Transit & Central Services	5.88	5.87	5.96	6.42	6.78	6.78	6.79
Equipment Lease P&I	4.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenses	**$3,444.73**	**$4,007.58**	**$3,774.55**	**$3,916.53**	**$4,206.91**	**$4,395.02**	**$4,507.36**
Net Operating Income	**$203.48**	**$247.26**	**$681.68**	**$974.95**	**$1,123.52**	**$1,108.89**	**$1,107.15**
Revenues Available for Debt Service	**$793.28**	**$892.26**	**$681.68**	**$974.95**	**$1,123.52**	**$1,108.89**	**$1,107.15**
Bond Debt Service	0.00	69.89	423.51	424.18	424.50	424.50	424.25
Annual Expenses of Issuer and Trustee	0.00	0.00	3.28	4.70	4.65	4.59	4.53
Reserve Fund Earnings @ 4%	0.00	3.76	17.12	17.12	17.12	17.12	17.12
Subtotal Net Debt Service	**$0.00**	**$66.14**	**$409.67**	**$411.76**	**$412.03**	**$411.97**	**$411.66**
Debt Burden as a percentage of State Revenue			**10.09%**	**9.29%**	**8.52%**	**8.27%**	**8.09%**
Debt Service Coverage With 20% of State Revenue			**2.00**	**2.17**	**2.37**	**2.44**	**2.50**
Total Expenses Incl. Debt Service	**$3,444.73**	**$4,073.72**	**$4,184.22**	**$4,328.29**	**$4,618.94**	**$4,806.99**	**$4,918.02**
Net Income	**$203.48**	**$181.12**	**$272.02**	**$563.19**	**$711.49**	**$696.92**	**$695.48**
Estimated Principal Paid on Bonds			**$105.00**	**$110.00**	**$115.00**	**$120.00**	**$125.00**
Beginning Fund Balance	**$112.66**	**$316.13**	**$497.25**	**$874.27**	**$1,547.46**	**$2,373.95**	**$3,190.87**
Fund Balance (2)	**$316.13**	**$497.25**	**$874.27**	**$1,547.46**	**$2,373.95**	**$3,190.87**	**$4,011.35**

(1) These projections assume a fiscal year 2007 proration of $125 per pupil, and no increase in funding for fiscal year 2008 and an 1% annual increase thereafter. The actual proration to which the Academy will be subject cannot be predicted with certainty. See "RISK FACTORS - Delay in, Reduction, or Termination of State School Aid," above.

(2) The estimated remaining revenues and fund balance projections are based on current programs and operations of the Academy. While the Academy maintains a fund balance above the maximum required by the Financing Agreement, the Academy could choose to provide additional educational programs and services which would reduce the future fund balance projections below the levels shown above.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS

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Richfield Public School Academy

Flint, Michigan

Annual Financial Statements
and
Auditors' Report

June 30, 2006

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Richfield Public School Academy
Members of the Board of Directors and Administration
June 30, 2006

Members of the Board of Directors

Robert Wright	President
Robert Wright	Treasurer
Joan Prout	Vice President
Rebecca Kirk	Secretary
Sandra Dee Hozeska	Trustee

Administration

Gareth Volz	Chief Administrative Officer

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YEO & YEO
CPAs & Business Consultants

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Flint, MI 48532
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Independent Auditors' Report

To the Board of Directors
Richfield Public School Academy
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Richfield Public School Academy as of and for the year ended June 30, 2006, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Richfield Public School Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Richfield Public School Academy as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2006, on our consideration of the Richfield Public School Academy's internal control over financial reporting and on our tests of its provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richfield Public School Academy's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
August 16, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

Richfield Public School Academy is a K-7 Public School Academy located in Flint, Michigan. This Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Richfield Public School Academy administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Academy-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part, the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the Academy's major instruction and instructional support activities are reported in the General Fund. Additional governmental activities are reported in their relevant Special Revenue Funds.

In the fund financial statement, capital assets purchased are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Academy-wide Financial Statements:

The Academy-wide financial statements are maintained using the "full accrual" basis. They report all of the Academy's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the Academy are reported in the Statement of Net Assets of the Academy-wide financial statements.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Summary of Net Assets:
The following summarizes the net assets at fiscal year ended June 30, 2005 and 2006:

	Net Assets Summary 2005	2006
Assets		
Current Assets	$ 662,275	$ 843,460
Capital Assets	371,895	497,326
Less: Accumulated Depreciation	(62,077)	(127,519)
Capital Assets, Net Book Value	309,818	369,807
Total Assets	$ 972,093	$ 1,213,267
Liabilities		
Current Liabilities	$ 530,519	$ 507,298
Long-term Liabilities	-	-
Total Liabilities	$ 530,519	$ 507,298
Net Assets		
Invested in Capital Assets, Net of Related Debt (Deficit)	$ 308,369	$ 369,807
Unrestricted	133,205	336,162
Total Net Assets	$ 441,574	$ 705,969

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

During the fiscal year ended June 30, 2006, the Academy's net assets increased by $264,395 as compared to a net increase of $366,691 in the prior fiscal year. With increased student enrollment the Academy purchased classroom furniture, educational software, computers, printers and office furniture totaling over $125,000.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

The most significant difference between prior year and current year is the increase in student enrollment, which increased State Aid revenues, instructional and non-instructional educational expenditures. Additional factors affecting the change in net assets during the year are discussed below:

A. Results of Operations:

For the fiscal year ended June 30, 2005 and 2006, the Academy wide results of operations were:

	2005		2006	
	Amount	% of Total	Amount	% of Total
General Revenue:				
State of Michigan Aid - All Sources	$ 2,586,357	79.06%	$ 3,251,320	84.78%
Other	34,264	1.05%	37,226	0.97%
Total General Revenue	2,620,621	80.11%	3,288,546	85.75%
Program Revenue:				
Charges for Services	56,178	1.72%	54,804	1.43%
Operating Grants - Federal and State	594,452	18.17%	491,536	12.82%
Total Program Revenue	650,630	19.89%	546,340	14.25%
Total Revenue	3,271,251	100.00%	3,834,886	100.00%
Expenses:				
Instruction and Instructional Services	1,104,582	38.03%	1,315,837	36.85%
Support Services	1,612,526	55.52%	2,000,061	56.02%
Food Service	107,551	3.70%	146,106	4.09%
Community Services	30,258	1.04%	43,045	1.21%
Interest on Long-term Debt	4,269	0.15%	-	0.00%
Depreciation (unallocated)	45,374	1.56%	65,442	1.83%
Total Expenses	2,904,560	100.00%	3,570,491	100.00%
Increase (Decrease) in Net Assets	$ 366,691		$ 264,395	

B. State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

- Per Student, Foundation Allowance: Annually, the State of Michigan sets the per student foundation allowance. The Richfield Public School Academy foundation allowance was $7,175 per student for the 2005 - 2006 school year.
- Student Enrollment: The Academy's student enrollment for the fall count of 2005 - 2006 was 445 students. To calculate total state aid to be provided by the foundation allowance, a blend of 75% of current year fall count and 25% of the previous year winter count is multiplied by the Academy's foundation allowance for grades K-5. Since the Academy began a new 6th and 7th grade program within the last two fiscal years, the state aid provided by the foundation allowance will be a student blend of 50% of the current year fall count and 50% of the up coming winter counts is multiplied by the Academy's foundation allowance for two qualifying fiscal years. Once the two qualifying fiscal years of the student blend of 50% current fall count and 50% of the up coming winter count is met the 6th and 7th grade student blend will move to the state standardized membership blend of 75% of current fall count and 25% of the previous winter count.

Subsequent to year end June 30, 2006, preliminary student enrollments for 2006 - 2007 indicate that the 2006 fall student enrollment will be substantially higher than the 2005 - 2006 levels.

C. General Fund Budgetary Highlights

General Fund Operations

The Academy's revenues and other sources from General Fund operations exceeded expenditures by $203,475 for the fiscal year ended June 30, 2006. Strong enrollment growth has allowed the Academy to not only fund, but also enhance the basic educational programming at the Academy, which will continue to positively impact the future of the youth in the Flint and surrounding communities.

Final Budget vs. Actual

Fiscal Year	Final Budget	Final Actual
Revenues		
2004-2005	$ 3,151,135	$ 3,112,894
2005-2006	$ 3,786,066	$ 3,648,208
2006-2007 (projected)	$ 4,169,482	
Expenditures		
2004-2005	$ 3,126,054	$ 3,014,035
2005-2006	$ 3,698,002	$ 3,444,733
2006-2007 (projected)	$ 3,927,814	

Final Budget vs. Actual

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Richfield Public School Academy amends its budget periodically as needed during the school year. For the fiscal year 2005 - 2006, the budget was amended in December 2005. The December 2005 budget amendment was the final budget for the fiscal year. The Richfield Public School Academy Board does not budget for expenditures covered by grants or for the grant revenue until an award is received. The General Fund does not budget for capital outlays in the original budget.

Change from Original to Final General Fund Budget

Revenues:

Total Revenues Original Budget	$ 3,280,610
Total Revenues Final Budget	3,786,066
Increase in Budgeted Revenues	$ 505,456

The Academy’s final general fund revenues were less than the final budget by $137,858, a variance of 3.6%. This variance was primarily a result of unspent state grant allocations awarded to the Academy. Those allocations are available through September 30 and it is anticipated that these unspent allocations at June 30 will be used before the end of the grant period.

The following are the significant changes in revenues from the original budget:

- Original budget had estimated an enrollment of 410 students and the fall 2005 actual enrollment was 445.
- Adjustment to state aid revenue to account for the increase in student enrollment.
- Adjustment to actual grant allocations as estimates were used in the original budget.

Change from Original to Final General Fund Budget Continued

Expenditures:

The Academy's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	$	3,191,690
Total Expenditures Final Budget		3,698,002
Increase in Budgeted Expenditures	$	506,312

The Academy's actual expenditures were less than final budget by $253,269, a variance of 6.5%. These cost savings were primarily a result of administration closely monitoring materials and supplies purchased throughout the year. An additional cost savings resulted from under spending federal grant allocations described above under the explanation of the revenue variance.

The following are the significant changes in expenditures from the original budget:

- Additional instructional and non-instructional staff members to support the larger than originally budgeted enrollment levels.
- Adjustment in expenditures to recognize the programmatic additions that were made possible as a result of additional state and federal grant allocations.
- Additional fees for management services as result of increased student enrollment and increased grant allocations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The Academy's net investment in capital assets increased by $59,989 during the fiscal year. This can be summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Non-Depreciable Capital Assets	$ -	$ -	$ -	$ -
Depreciable Capital Assets	371,895	125,431	-	497,326
Less: Accumulated Depreciation	(62,077)	(65,442)	-	(127,519)
Net Investment in Capital Assets	$ 309,818	$ 59,989	$ -	$ 369,807

B. Depreciation Expense

GASB 34 requires Public School Academies to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets in the entity wide financial statements. Depreciation is not recognized in the fund financial statements and has been noted as a reconciling item in the Academy's financial statements.

For fiscal year ended June 30, 2006, the net increase in accumulated depreciation was $65,442.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset, less an estimated salvage value.

C. Debt, Principal Payments

A summary of long-term debt service activities is as follows.

	Balance 6/30/2005	New Financings	Principal Payments	Balance 6/30/2006
Notes and Lease Payable	1,449	$ -	$ 1,449	$ -
Total Long-term Obligations	$ 1,449	$ -	$ 1,449	$ -

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Preliminary Budget for the 2006-07 Fiscal Year was adopted by the Board of Education on June 28, 2006. Few definite factors were known as the budget was being drafted, and others were unknown and needed to be projected with management's best estimates based on perceived interest from the community. Some key factors and estimates used in the 2006-07 budget preparation process include:

- The State Aid foundation had been estimated to be $7,375 per pupil;
- Enrollment projections of 470 students in grades K-8. Since the Academy will begin a new 8th grade program this fiscal year the state aid provided by the foundation allowance will be a blend of 50% of current year fall count and 50% of the up coming winter count is multiplied by the Academy's foundation allowance for two qualifying fiscal years;
- Elimination of funding for the Charter School Grant;
- Teaching staff, at a maximum, would provide one teacher for every 25 students;
- Benefit costs would be based on group coverage rates through the Michigan Chamber of Commerce.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to School Districts and Public School Academies. The State periodically holds revenue-estimating conferences to estimate what the State's available resources will be throughout the remainder of its fiscal year. Based on the results of the most recent conference, the State has estimated that funds will be sufficient to fund current appropriations.

CONTACTING THE ACADEMY'S MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Administration Office, Richfield Public School Academy, 3807 N. Center Road, Flint, Michigan.

BASIC FINANCIAL STATEMENTS

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Richfield Public School Academy
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Cash	$ 88,112
Accounts receivable	24,882
Due from other governmental units	666,916
Prepaid items	63,550
Capital assets - net of accumulated depreciation	369,807
Total assets	1,213,267

See Accompanying Notes to Financial Statements

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Richfield Public School Academy
Statement of Net Assets
June 30, 2006

	Governmental Activities
Liabilities	
Accounts payable	$ 254,020
State aid anticipation note payable	56,384
Payroll deductions and withholdings	27,054
Accrued expenditures	1,220
Accrued salaries payable	115,131
Deferred revenue	53,489
Total liabilities	507,298
Net Assets	
Invested in capital assets, net of related debt	369,807
Unrestricted	336,162
Total net assets	$ 705,969

See Accompanying Notes to Financial Statements

YEO & YEO

Richfield Public School Academy
Statement of Activities
For the Year Ended June 30, 2006

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Governmental activities				
Instruction	$ 1,315,836	$ -	$ 99,642	$ (1,216,194)
Supporting services	2,000,061	-	262,320	(1,737,741)
Food services	146,106	14,519	129,574	(2,013)
Community services	43,046	40,285	-	(2,761)
Depreciation - unallocated	65,442	-	-	(65,442)
Total governmental activities	$ 3,570,491	$ 54,804	$ 491,536	(3,024,151)
General revenues				
State aid - unrestricted				3,251,320
Other				37,226
Total general revenues				3,288,546
Change in net assets				264,395
Net assets - beginning				441,574
Net assets - ending				$ 705,969

Richfield Public School Academy
Governmental Funds
Balance Sheet
June 30, 2006

	General Fund	Nonmajor Governmental Funds Service Funds	Total Governmental Funds
Assets			
Cash	$ 62,203	$ 25,909	$ 88,112
Accounts receivable	24,882	-	24,882
Due from other funds	14,110	5,339	19,449
Due from other governmental units	658,685	8,231	666,916
Prepaid items	63,550	-	63,550
Total assets	$ 823,430	$ 39,479	$ 862,909
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 254,020	$ -	$ 254,020
State aid anticipation note payable	56,384	-	56,384
Due to other funds	-	19,449	19,449
Payroll deductions and withholdings	27,054	-	27,054
Accrued expenditures	1,220	-	1,220
Accrued salaries payable	115,131	-	115,131
Deferred revenue	53,489	-	53,489
Total liabilities	507,298	19,449	526,747
Fund Balance			
Reserved for prepaid items	63,550	-	63,550
Designated for food service	-	14,691	14,691
Other undesignated	252,582	5,339	257,921
Total fund balance	316,132	20,030	336,162
Total liabilities and fund balance	$ 823,430	$ 39,479	$ 862,909

See Accompanying Notes to Financial Statements

Richfield Public School Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets to Net Assets of Governmental Activities
June 30, 2006

Total fund balances for governmental funds	$ 336,162
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation	369,807
Net assets of governmental activities	$ 705,969

See Accompanying Notes to Financial Statements

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Richfield Public School Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	General Fund	Nonmajor Governmental Funds Service Funds	Total Governmental Funds
Revenues			
Local sources	$ 9,787	$ 52,557	$ 62,344
State sources	3,249,020	2,300	3,251,320
Federal sources	361,962	131,821	493,783
Interdistrict sources	27,439	-	27,439
Total revenues	3,648,208	186,678	3,834,886
Expenditures			
Current			
Education			
Instruction	1,317,285	-	1,317,285
Supporting services	2,000,061	-	2,000,061
Food services	-	146,106	146,106
Community services	1,956	41,090	43,046
Capital outlay	125,431	-	125,431
Total expenditures	3,444,733	187,196	3,631,929
Excess (deficiency) of revenues over expenditures	203,475	(518)	202,957
Fund balance - beginning	112,657	20,548	133,205
Fund balance - ending	$ 316,132	$ 20,030	$ 336,162

See Accompanying Notes to Financial Statements

Richfield Public School Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - Total governmental funds	$	202,957
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(65,442)
Capital outlay		125,431
Change in net assets of governmental activities	$	264,395

See Accompanying Notes to Financial Statements

Richfield Public School Academy
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2006

	Private Purpose Trust Funds
Assets	
Cash	$ 5,669
Liabilities	
Due to student activities	$ 5,669

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Richfield Public School Academy (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy is governed by an appointed Five-member Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Academy first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (certain intergovernmental revenues, investments and earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The Academy reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

Additionally, the Academy reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Academy's Special Revenue Funds includes the Food Service Fund and Community Services.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the Academy in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of $3,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the Academy's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for Academys in recognizing the cost of retiree health care. The new rules will cause Academy-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Economic Dependency

The Academy received approximately 89% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the Michigan Department of Education.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the Academy to have its budget in place by July 1. The Academy is not considered in violation of the Act if reasonable procedures are in use by the Academy to detect violations.

The CAO is authorized to transfer budgeted amounts within functions in any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

The Academy did not have significant expenditure budget variances.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Academy's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 88,112	$ 5,669	$ 93,781

The breakdown between deposits and investments for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 92,781
Petty cash and cash on hand	1,000
Total	$ 93,781

Interest rate risk – The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk – The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, $ 56,148 of the Academy's bank balance of $ 156,148 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Site improvements	$35,639	$0	$0	$35,639
Equipment and furniture	336,256	125,431	-	461,687
Total capital assets being depreciated	371,895	125,431	-	497,326
Less accumulated depreciation for	62,077	65,442	-	127,519
Net capital assets	$ 309,818	$ 59,989	$ -	$ 369,807

Depreciation for the fiscal year ended June 30, 2006 amounted to $ 65,442. The Academy determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - OPERATING LEASE

The Academy currently leases their premises on an eight-year lease ending on August 1, 2012. Terms of the lease call for monthly payments as follows: September 1, 2005 through August 30, 2006 at $ 51,766 per month. The base rent will be increased annually on September 1 each year, by the lesser of five percent over the base rent for the previous calendar year, or the percentage increase, if any, in the Consumers Price Index for all Urban Consumer s.

The lease contains an option for the Academy to purchase the premises from the landlord in years two and tree of the lease for $3,350,000.

Current year lease payments were $ 589,806.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unearned
Grant and state aid revenue received prior to meeting all eligibility requirements	$ 53,489

NOTE 7 - STATE AID ANTICIPATION NOTE

The Academy issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the Academy receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	$ 101,335	$ 550,000	$ 594,951	$ 56,384

NOTE 8 - LONG-TERM DEBT

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Academy. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Long-term debt	$ 1,449	$ -	$ 1,449	$ -	$ -

Notes payable consist of the following:

Phone sets loan payable – monthly payments of $ 614 for 24 months. The loan expired in September 2005 and had an interest rate of 10%.

NOTE 9 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The Academy has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Academy is subject to the Michigan Employment Security Act and files quarterly. Total expenses for the year ended June 30, 2006 were $ 47,263.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2006.

NOTE 11 - RELATED PARTY TRANSACTIONS

Richfield Public School Academy entered into a management agreement with Mosaica Education, Inc. to provide educational and administrative services. The agreement will expire on the last school day of the 2010 – 2011 school year. The agreement will automatically renew for an additional period of eight years, unless written notice of an intent to terminate or renegotiate is given by either party not less than 90 days prior to the termination date.

For the term of the agreement, Mosaica Education, Inc. will receive an annual fee of 12.0% of the state aid the Academy receives from the State of Michigan and 12.0% of the funds received directly or indirectly from the Federal Government.

In addition, Mosaica Education, Inc. will be reimbursed for all costs incurred and paid on behalf of the Academy. Such costs include, but are not limited to, salaries of Mosaica Education, Inc. employees, costs related to curriculum, instructional materials, textbooks, library books, computers, software, supplies, food service, transportation, special education, psychological services and medical services.

The Academy has a liability to Mosaica Education, Inc. in the amount of $ 221,992 for the year ended June 30, 2006 and $291,230 for the year ended June 30, 2005.

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REQUIRED SUPPLEMENTAL INFORMATION

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Richfield Public School Academy
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Revenues				
Local sources	$ 7,952	$ 1,000	$ 9,787	$ 8,787
State sources	3,003,253	3,274,971	3,249,020	(25,951)
Federal sources	251,795	491,885	361,962	(129,923)
Interdistrict sources	17,610	18,210	27,439	9,229
Total revenues	3,280,610	3,786,066	3,648,208	(137,858)
Expenditures				
Instruction				
Basic programs	998,835	1,074,119	1,061,947	(12,172)
Added needs	413,899	303,625	255,338	(48,287)
Supporting services				
Pupil	39,600	159,563	128,178	(31,385)
Instructional staff	15,831	190,462	158,485	(31,977)
General administration	521,150	603,880	588,033	(15,847)
School administration	184,251	199,595	195,519	(4,076)
Business	17,700	29,550	31,030	1,480
Operations and maintenance	910,865	934,485	892,936	(41,549)
Central	5,040	5,645	5,880	235
Community services	-	2,200	1,956	(244)
Capital outlay	84,519	194,878	125,431	(69,447)
Total expenditures	3,191,690	3,698,002	3,444,733	(253,269)
Net change in fund balance	88,920	88,064	203,475	115,411
Fund balance - beginning	112,657	112,657	112,657	-
Fund balance - ending	$ 201,577	$ 200,721	$ 316,132	$ 115,411

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OTHER SUPPLEMENTAL INFORMATION

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Richfield Public School Academy
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2006

	2006	2005
Assets		
Cash	$ 62,203	$ 26,270
Accounts receivable	24,882	4,471
Due from other funds	14,110	16,770
Due from other governmental units	658,685	541,397
Prepaid items	63,550	52,819
Total assets	$ 823,430	$ 641,727
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 254,020	$ 309,060
State aid anticipation note payable	56,384	101,335
Payroll deductions and withholdings	27,054	22,329
Accrued expenditures	1,220	1,565
Accrued salaries payable	115,131	93,692
Deferred revenue	53,489	1,089
Total liabilities	507,298	529,070
Fund Balance		
Reserved for prepaid items	63,550	52,819
Other undesignated	252,582	59,838
Total fund balance	316,132	112,657
Total liabilities and fund balance	$ 823,430	$ 641,727

Richfield Public School Academy
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Other local revenues	$ 7,952	$ 1,000	$ 9,787	$ 8,787
Revenues from state sources				
Grants - unrestricted	2,839,538	3,050,333	3,029,206	(21,127)
Grants - restricted	163,715	224,638	219,814	(4,824)
Total revenues from state sources	3,003,253	3,274,971	3,249,020	(25,951)
Revenues from federal sources				
Grants	251,795	491,885	361,962	(129,923)
Interdistrict sources				
ISD collected millage	17,610	18,210	27,439	9,229
Total revenue	$ 3,280,610	$ 3,786,066	$ 3,648,208	$ (137,858)

Richfield Public School Academy
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	$ 681,800	$ 682,719	$ 677,605	$ (5,114)
Employee benefits	146,250	163,050	175,817	12,767
Supplies and materials	91,745	135,705	121,410	(14,295)
Other	500	1,000	843	(157)
Total elementary	920,295	982,474	975,675	(6,799)
Basic program - middle school				
Salaries	65,640	72,500	67,958	(4,542)
Employee benefits	12,700	17,945	17,210	(735)
Other	200	1,200	1,104	(96)
Total middle school	78,540	91,645	86,272	(5,373)
Added needs - special education				
Salaries	65,333	55,099	56,482	1,383
Employee benefits	31,720	12,111	12,543	432
Purchased services	32,250	6,500	6,500	-
Supplies and materials	4,300	1,300	1,336	36
Other	3,000	500	484	(16)
Total special education	136,603	75,510	77,345	1,835
Added needs - compensatory education				
Salaries	156,311	161,633	121,173	(40,460)
Employee benefits	88,398	26,574	22,115	(4,459)
Supplies and materials	32,587	33,908	34,705	797
Other	-	6,000	-	(6,000)
Total compensatory education	277,296	228,115	177,993	(50,122)

Richfield Public School Academy
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - guidance services				
Salaries	5,038	11,991	10,404	(1,587)
Employee benefits	217	5,162	2,076	(3,086)
Total guidance services	5,255	17,153	12,480	(4,673)
Pupil - psychological services				
Salaries	435	5,600	5,502	(98)
Purchased services	998	5,000	5,826	826
Supplies and materials	-	2,000	-	(2,000)
Total psychological services	1,433	12,600	11,328	(1,272)
Pupil - speech services				
Salaries	2,000	24,000	16,364	(7,636)
Employee benefits	-	3,750	2,072	(1,678)
Total speech services	2,000	27,750	18,436	(9,314)
Pupil - social work services				
Salaries	30,912	69,250	68,762	(488)
Employee benefits	-	23,765	14,002	(9,763)
Supplies and materials	-	9,045	3,070	(5,975)
Other	-	-	100	100
Total social work services	30,912	102,060	85,934	(16,126)
Instructional staff - improvement of education				
Salaries	13,597	86,367	88,127	1,760
Employee benefits	-	21,811	15,333	(6,478)
Supplies and materials	-	34,000	25,616	(8,384)
Other	772	2,400	4,101	1,701
Total improvement of education	14,369	144,578	133,177	(11,401)
Instructional staff - educational media services				
Supplies and materials	1,022	16,445	10,062	(6,383)
Other	-	-	-	-
Total educational media services	1,022	16,445	10,062	(6,383)
Instructional staff - technology assisted instruction				
Supplies and materials	-	-	2,950	2,950

Richfield Public School Academy
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - supervision and direction of instructional staff				
Salaries	440	21,198	7,902	(13,296)
Employee benefits	-	1,173	1,154	(19)
Supplies and materials	-	1,250	847	(403)
Other	-	3,418	2,393	(1,025)
Total supervision and direction of instructional staff	440	27,039	12,296	(14,743)
Instructional staff - academic student assessment				
Supplies and materials	-	-	-	-
Other	-	2,400	-	(2,400)
Total academic student assessment	-	2,400	-	(2,400)
General administration - board of education				
Purchased services	19,950	20,130	20,604	474
Supplies and materials	-	1,000	742	(258)
Other	1,000	11,000	11,517	517
Total board of education	20,950	32,130	32,863	733
General administration - executive administration				
Purchased services	500,200	571,750	555,170	(16,580)
Salaries	126,901	136,070	134,528	(1,542)
Employee benefits	25,650	27,925	25,652	(2,273)
Purchased services	8,500	9,500	10,228	728
Supplies and materials	22,200	25,100	25,111	11
Other	1,000	1,000	-	(1,000)
Total office of the principal	184,251	199,595	195,519	(4,076)
Business - other				
Purchased services	9,700	12,700	13,817	1,117
Other	8,000	16,850	17,213	363
Total other business	17,700	29,550	31,030	1,480

Richfield Public School Academy
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Operations and maintenance - operating building services				
Salaries	42,000	57,500	49,573	(7,927)
Employee benefits	12,365	16,085	13,049	(3,036)
Purchased services	727,500	730,000	701,677	(28,323)
Supplies and materials	19,000	20,500	20,678	178
Other	110,000	110,000	107,760	(2,240)
Total operating building services	910,865	934,085	892,737	(41,348)
Operations and maintenance - security services				
Purchased services	-	400	199	(201)
Central - staff/personnel services				
Purchased services	-	-	235	235
Central - support services technology				
Supplies and materials	5,040	5,645	5,645	-
Community services - community activities				
Supplies and materials	-	2,200	1,956	(244)
Capital outlay				
Basic program - elementary	29,705	34,504	26,660	(7,844)
Basic program - middle school	-	2,048	2,100	52
Added needs - compensatory education	-	1,981	1,981	-
Pupil - social work services	-	38,210	-	(38,210)
Instructional staff - technology assisted instruction	49,179	89,980	87,852	(2,128)
Instructional staff - supervision and direction of instructional staff	-	22,500	-	(22,500)
School administration - office of the principal	5,635	5,655	6,838	1,183
Building acquisition and construction services	-	-	-	-
Total capital outlay	84,519	194,878	125,431	(69,447)
Total expenditures and financing uses	$ 3,191,690	$ 3,698,002	$ 3,444,733	$ (253,269)

Richfield Public School Academy
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2006

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service	
Assets			
Cash	$ 25,909	$ -	$ 25,909
Due from other funds	-	5,339	5,339
Due from other governmental units	8,231	-	8,231
Total assets	$ 34,140	$ 5,339	$ 39,479
Liabilities and Fund Balance			
Liabilities			
Due to other funds	$ 19,449	$ -	$ 19,449
Fund Balance			
Designated for food service	14,691	-	14,691
Other undesignated	-	5,339	5,339
Total fund balance	14,691	5,339	20,030
Total liabilities and fund balance	$ 34,140	$ 5,339	$ 39,479

Richfield Public School Academy
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2006

	Special Revenue Funds		Total
	Food Service Fund	Community Services	Nonmajor Governmental Funds
Revenues			
Local sources	$ 14,519	$ 38,038	$ 52,557
State sources	2,300	-	2,300
Federal sources	129,574	2,247	131,821
Total revenues	146,393	40,285	186,678
Expenditures			
Current			
Food services	146,106	-	146,106
Community services	-	41,090	41,090
Total expenditures	146,106	41,090	187,196
Excess (deficiency) of revenues over expenditures	287	(805)	(518)
Fund balance - beginning	14,404	6,144	20,548
Fund balance - ending	$ 14,691	$ 5,339	$ 20,030

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Board of Directors
Richfield Public School Academy
Flint, Michigan

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Richfield Public School Academy as of and for the year ended June 30, 2006, and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Richfield Public School Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richfield Public School Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Richfield Public School Academy in a separate letter dated August 16, 2006.

This report is intended solely for the information and use of the Board of Directors, management, Michigan Department of Education and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Flint, Michigan
August 16, 2006

APPENDIX D

SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Financing Agreement and of definitions of certain terms used therein and in this Official Statement. Reference is made to the Indenture and the Financing Agreement for a complete statement of the provisions of such documents. Until the dated delivery of the Bonds, the provisions of these documents are subject in all respects to changes, deletions and variations. Except as otherwise defined herein, the terms defined or used in this summary which are defined in the Indenture or the Financing Agreement shall have the same meanings herein as in those respective documents.

DEFINITIONS OF CERTAIN TERMS

"Academy" means Richfield Public School Academy, a public school academy organized and existing under the laws of the State of Michigan, or its successors or assigns.

"Academy Repayments" means all amounts required to be paid by the Academy to the Authority (and the Trustee as the assignee of the Authority) pursuant to the Financing Agreement.

"Additional Bonds" means the additional bonds which are authorized to be issued in one or more series from time to time under the Indenture.

"Additional Payments" means all payments required of the Academy under the Financing Agreement other than Bond Payments.

"Authority" means the Michigan Public Educational Facilities Authority.

"Authorized Academy Representative" means the President of the Academy or any other officer of the Academy authorized to act in such capacity by a resolution adopted by the Board of the Academy.

"Authorizing Body" means Bay Mills Community College Board of Regents.

"Beneficial Owner" means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

"Bond" or **"Bonds"** means the Series 2007 Bonds and any Additional Bonds authorized to be issued under the Indenture.

"Bond Counsel" means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

"Bond Documents" means the Financing Agreement, the Municipal Obligation, the Indenture, and the Bond Purchase Agreement.

"Bond Fund" means the Bond Fund established under the Indenture.

"Bond Payments" means the amounts payable by the Academy under its Municipal Obligation allocable to the repayment of principal of, or interest or redemption under the Municipal Obligation which do not consist of Fee Payments.

"Bond Payment Date" means any of the dates specified in the Indenture for payment of interest on the Bonds and payment of principal, i.e., the first day of March and September of each year, and the first day of September for principal until the respective Bonds are paid in accordance with their terms, the first Bond Payment Date being September 1, 2007.

"Bondholder" or **"Holder"** (when used in reference to Bonds) means the registered owner of any Bond.

"Bond Register" means the books of the Authority kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the predecessor code.

"Collateral Documents" means the State Aid Agreement, Mortgage, the Security Agreement and any other agreements related thereto or entered into by the Academy for the purpose of pledging collateral as security for the Academy's obligations under the Financing Agreement.

"Costs of Issuance" means the Underwriter's discount, underwriting fees, printing charges, letter of credit fees and related charges of a letter of credit, trustee fees, bond counsel fees, academy counsel fees, and other counsel fees, financial advisor fees, rating agency fees and issuance fees of the Authority.

"Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Default" means an event which, with notice and lapse of time, would constitute an Event of Default under the Indenture or under the Financing Agreement.

"Eligible Investments" shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(a) Government Obligations;

(b) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and (c) are secured by cash and/or Government Obligations;

(c) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor's Ratings Services;

(d) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services;

(e) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(f) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars ($50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by Standard & Poor's Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(g) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Authority's instructions as to compliance with such act;

(h) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Standard & Poor's Ratings Services;

(i) to the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(j) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64 (including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise), so long as the portfolio of the investment company or investment trust is limited to (i) United States government obligations and repurchase agreements fully collateralized by United States government obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least AAAm or AAAm-G by Standard & Poor's Ratings Services.

"Enabling Legislation" shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is not prohibited by the laws of the State or the Bond Documents and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2007 Bonds.

"Financing Agreement" means the Financing Agreement between the Authority and the Academy dated as of June 1, 2007, as the same may be amended or supplemented in accordance with its terms and the terms of the Indenture.

“Government Obligations” means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, (iii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (i) and (ii) provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian, and (iv) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (i), (ii) or (iii); provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

“Indenture” means the Trust Indenture between the Authority and the Trustee dated as of June 1, 2007, as the same may be amended or supplemented in accordance with its terms.

“Interest Payment Date” means, with respect to the Series 2007 Bonds, March 1 and September 1 of each year commencing September 1, 2007.

“Investment Agreement” means any agreement for the investment of funds held under the terms of the Indenture which is authorized by law, which has been approved by an authorized officer of the Authority.

“Investment Income” means the earnings and profits derived from the investment of moneys in the Project Fund, Reserve Fund, Bond Fund and Repair and Replacement Fund pursuant to the Indenture.

“Management Agreement” means the Management Agreement dated June 25, 2003, and as amended on May 11, 2007 between the Academy and Mosaica Education, Inc., a Delaware corporation, as amended or restated from time to time, and any other subsequent management agreement between the Academy and a management company relating to the management of the Academy's operations.

“Management Consultant” means a professional consulting firm, certified public accounting firm, investment banking firm, or other Person, selected by the Academy, having the skill and experience in the business of Michigan public school academies necessary to render the report required by the Financing Agreement and having a favorable reputation for such skill and experience, which Person shall have no interest, direct or indirect, in the Academy and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of the Academy.

“Mortgage” means the Mortgage made by the Academy to the Trustee dated June 1, 2007 encumbering the Project as security for the Academy's obligations under the Financing Agreement, as it may be amended or restated from time to time.

“Municipal Obligation” means the School Building and Site Bond, Series 2007 of the Academy dated as of June 1, 2007.

“Nonarbitrage Certificate” means, collectively, the Nonarbitrage Certificate delivered by the Authority and the Nonarbitrage and Tax Compliance Certificate delivered by the Academy in connection with the initial delivery of the Series 2007 Bonds.

The term **“Outstanding”** means the Bonds which have been delivered under the Indenture, except:

a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation;

b) Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Trustee (whether on or prior to the maturity or prepayment date of any such Bonds); provided, however that if such Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture.

d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Authority or the Academy, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being Outstanding only Bonds of which the Trustee has actual notice to be so held.

"Payment Date" shall mean the 20th day of each January, February, March, April, May, June, July, August, October, November and December, unless otherwise adjusted in accordance with the requirements of the Financing Agreement.

"Project" means the acquisition by the Academy of its facility, the acquisition of additional land and the construction, equipping and furnishing of additions to the Academy's facility, all to be financed with the proceeds of the Municipal Obligation, and all as more fully described in the Financing Agreement.

"Project Fund" means the Project Fund established pursuant to the Indenture.

"Registered Owner" means, in connection with a Bond, the person in whose name the Bond is registered on the books of the Authority as kept by the Trustee pursuant to the Indenture.

"**Repair and Replacement Fund**" means the fund created pursuant to the Indenture.

"Repair and Replacement Fund Requirement" means an amount equal to 2% of the budgeted Operating Expenses (as defined in the Financing Agreement) as of the first business day of each fiscal year of the Academy unless the Academy's general fund balance exceeds 5% of the annual budgeted Operating Expenses in which case the required amount is 0%.

"Reserve Fund" means the Reserve Fund established pursuant to the Indenture.

"Reserve Fund Payments" means all payments required of the Academy to replenish any deficiency in the Reserve Fund pursuant to the Financing Agreement.

"Reserve Fund Requirement" means an amount equal to the least of (i) the maximum annual principal and interest requirements on the Series 2007 Bonds and any Additional Bonds for the then-current or any succeeding Bond Year, (ii) 125% of the average annual principal and interest requirements on the Series 2007 Bonds and any Additional Bonds, or (iii) 10% of the original principal amount of the Series 2007 Bonds and any Additional Bonds (net of original issue discount), determined at the time of initial issuance of the Series 2007 Bonds and any Additional Bonds and on the first day of each Academy Fiscal Year thereafter while any Series 2007 Bonds or Additional Bonds are outstanding. The Reserve Fund Requirement for any Reserve Account may be satisfied by delivery to the Trustee of a Reserve Fund Security Instrument.

"Security" means the properties, rights and interest of the Authority specified in the Indenture assigned and pledged to the Trustee as security for the payment of the Bonds.

"Series 2007 Bonds" means the $6,435,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Richfield Public School Academy Project), Series 2007.

"Site" means the real property and improvements located at 3807 North Center Road, Flint, Michigan as further described in the Financing Agreement.

"State" means State of Michigan.

"State Aid Agreement" means the State Aid Agreement dated as of June 1, 2007 among the Authority, the State Treasurer of the State of Michigan, the Authorizing Body, the Academy and the Trustee.

"State School Aid" means state school aid payments made to the Academy pursuant to the School Aid Act or any successor law providing for funding of public schools in Michigan.

"State School Aid Act" means the State School Aid Act, Michigan Public Act 94 of 1979, as amended, or any successor legislation in replacement thereof.

"Surplus Bond Proceeds" shall mean any proceeds remaining in the Project Fund upon completion of the Project, as determined in accordance with the Financing Agreement.

"Trustee" means Wells Fargo Bank, N.A., a national banking association, or any successor Trustee serving under the Indenture.

"Unassigned Rights" means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under the Financing Agreement and to enforce in its name and for its own benefit certain provisions of the Financing Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

THE INDENTURE

Description of Project

The Authority will use the proceeds of the Bonds to purchase the Municipal Obligation issued by the Academy. The Academy will use the proceeds of the sale of the Municipal Obligation for the following purposes: (a) to finance the acquisition of the Academy's existing educational facilities, and acquire land and construct, equip and furnish thereon an addition to such facilities (the "Project"); (b) to fund a debt service reserve fund; and (c) to pay certain costs associated with the issuance of the Bonds.

Authorized Amount of Bonds

No Bonds may be issued under the provisions of the Indenture except in accordance with Article II. Pursuant to a resolution adopted by the Authority authorizing the issuance of the Bonds, the total principal amount of the Bonds that may be issued and outstanding hereunder is expressly limited to $8,000,000.

Security

The Bonds, together with interest thereon and redemption premium, if any, with respect thereto, are limited obligations of the Authority secured by the Financing Agreement, are and shall always be payable solely from the revenues and income derived from the Financing Agreement (except to the extent paid out of moneys attributable to proceeds of the Bonds or the income from the temporary investment thereof), are and shall always be a valid claim of the Holders thereof only against the revenues and income derived from the Financing Agreement and from other instruments assigned to or held by the Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in the Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or a general obligation of the State of Michigan or the Authorizing Body, or a general obligation of the Authority, within the purview of any constitutional or statutory limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Security, and shall be payable solely from the revenues and income derived from the Financing Agreement. No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan or any political subdivision thereof to pay any principal installment of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

The Series 2007 Bonds and the interest thereon shall be a limited obligation of the Authority as described above, and shall be secured by and payable only from the following:

a) all Academy Payments received by the Authority under the Financing Agreement, which Academy Payments are to be paid directly by the Academy to the Trustee and deposited in the Bond Fund;

b) all moneys and securities in the Bond Fund, the Reserve Fund and the Project Fund, including the proceeds of the Series 2007 Bonds pending disbursement thereof pursuant to the Indenture;

c) all of the Authority's rights and interest in the Agreement, except the Unassigned Rights;

d) all of the proceeds of the foregoing, including without limitation investments thereof and Investment Income; and

e) the rights of the Trustee in and under the Mortgage from the Academy in favor of the Trustee with respect to the Project.

The foregoing are collectively the "Security." In consideration of the purchase of the Series 2007 Bonds and to secure payment of the principal of, redemption premium, if any, and interest on the Series 2007 Bonds and any other cost or pecuniary liability of the Authority relating to the Series 2007 Bonds or any proceeding, document or certification incidental to the issuance of the Series 2007 Bonds, and to secure performance and observance of all covenants, terms and conditions upon which the Series 2007 Bonds are to be issued, including without limitation the Indenture, the Authority, without warranty, pursuant to law hereby conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in, the Security to the Trustee, and its successors and assigns, in trust for the benefit of the Bondholders.

Authority Covenants

The Authority represents and covenants under the Indenture as follows:

(a) All representations and covenants of the Authority in the Indenture and in any proceeding, document or certification incidental to issuance of the Bonds shall not create a pecuniary liability of the State of Michigan, the Authority or any agency or employee thereof, except to the extent of available Security. The Authority's obligations under the Indenture and under the Series 2007 Bonds are limited obligations payable solely out of and to the extent of available Security.

(b) The Authority shall promptly pay, but only out of the Security, the principal of, redemption premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds. The Authority shall promptly perform and observe all of its covenants, undertakings and obligations set forth in the Indenture, the Bonds or the Financing Agreement.

(c) The Authority represents that (i) it is duly authorized under the Constitution and laws of the State to issue the Bonds, and to execute, deliver and perform the terms of the Indenture; (ii) all action on its part for the issuance of the Bonds and the Indenture have been duly taken; (iii) the Bonds upon issuance and authentication and the Indenture upon delivery, shall be valid and enforceable against the Authority in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights and by general principles of equity; (iv) it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Security; (v) it has not received any payments under the Financing Agreement and the entire principal balance remains outstanding; (vi) it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement, and (vii) the execution, delivery and performance of the Indenture are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound.

(d) The Authority represents that (i) no litigation or administrative action of any nature has been served upon the Authority for the purpose of restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery of the Indenture or the Financing Agreement or in any manner questioning the proceedings or authority under which they have occurred, or affecting their validity or its existence or authority of its present officers; (ii) no authority or proceeding for the issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded; (iii) no petition seeking to initiate any resolution or other measure affecting the same or the proceedings therefore has been filed and (iv) to the best of the knowledge of the officers of the Authority executing the Indenture, none of the foregoing actions is threatened.

(e) All books and documents in the possession of the Authority relating to the Bonds and the income and revenues derived from payments under the Financing Agreement shall at all reasonable times be open to inspection by the Trustee and/or its attorneys and agents.

(f) No member, officer or employee of the Authority, including any person executing the Indenture or Bonds, shall be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance of the Bonds.

Additional Bonds

The Authority reserves the right to and may, but shall not be required to, issue Additional Bonds upon the request of the Academy, without limit in one or more series for the purposes set forth in, and subject to the requirements of the Indenture and the Financing Agreement. Additional Bonds shall be of the same priority as the Series 2007 Bonds, and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, except as to the Reserve Fund, but the Additional Bonds shall bears such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. The Reserve Fund secures the Series 2007 Bonds only.

No Additional Bonds shall be issued unless the Academy provides a certificate to the Trustee confirming that 20% of the Academy's State School Aid for the Academy Fiscal Year are sufficient to pay an amount not less than 120% of the maximum annual principal and interest requirements on the Bonds and any Additional Bonds proposed to be issued for any Academy Fiscal Year. *For purposes of computing future projections of State School Aid, such certificate shall use the expected total amount of State School Aid to be paid to the current Academy Fiscal Year computed using the number of students certified as of the September count date of the current Academy Fiscal Year.*

Project Fund

The Indenture establishes a Project Fund with the Trustee. Proceeds of the Series 2007 Bonds not otherwise deposited in the Bond Fund or Reserve Fund shall be deposited in the Project Fund. The Trustee is authorized and directed to make disbursements from the Project Fund on a requisition certificate meeting the requirements of the Financing Agreement. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all receipts and disbursements pertaining thereto, and shall furnish monthly statements with respect thereto to the Academy and the Authority. Upon receipt of the completion certificate in the form required by the Financing Agreement, the Trustee shall deposit the Surplus Bond Proceeds, if any, in the Bond Fund to be used to pay principal or interest of the Series 2007 Bonds on the next available Bond Payment Date.

Bond Fund

The Indenture establishes a Bond Fund with the Trustee. Within the Bond Fund there shall be established separate trust accounts to be designated the “Revenue Account” and the “State Aid Intercept Account". There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Financing Agreement consisting of Scheduled Bond Payments which are made pursuant to the State Aid Agreement. There shall be deposited in the Revenue Account of the Bond Fund all other moneys received by the Trustee for deposit in the Bond Fund.

There shall be deposited in the Revenue Account of the Bond Fund (a) any proceeds of the Series 2007 Bonds required to be deposited in the Bond Fund pursuant to the Indenture to pay accrued interest or capitalized interest, if any, on the Series 2007 Bonds; (b) all Bond Payments and Additional Payments under the Municipal Obligation and the Financing Agreement, including all proceeds resulting from the enforcement of the Security or its realization as collateral; (c) investment earnings transferred from the Reserve Fund; and (d) all other moneys received by the Trustee under the Financing Agreement or the Indenture for deposit in the Revenue Account of the Bond Fund, including Surplus Bond Proceeds, if any.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(i) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Bond Payments required to be made by the Academy;

(ii) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payment required to be made by the Academy;

(iii) third, as specified in the Financing Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments required to be made by Academy; and

(iv) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Bond Payments, Additional Payments and Reserve Fund Payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Authorizing Body or as otherwise directed by the Authority in accordance with the requirements of the Financing Agreement.

The Authority authorizes and directs the Trustee, and the Trustee agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The Authority and Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in the Indenture.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Bonds shall have been made available to the Trustee for the benefit of the Bondholders, all liability of the Authority and any and all liability of the Academy to the Bondholders, respecting payment of such Bonds shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Bondholders who shall thereafter be restricted exclusively to such funds for any claim under the Indenture or with respect to the Bonds or the interest thereon.

Reserve Fund

The Indenture establishes a Reserve Fund with the Trustee. Proceeds of the Series 2007 Bonds in an amount equal to the Reserve Fund Requirement shall be deposited in the Reserve Fund. The Reserve Fund shall receive from time to time moneys required to be deposited therein by the Academy pursuant to the Financing Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2007 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal of, premium, if any, and interest then due on the Series 2007 Bonds.

Earnings realized from Eligible Investments in the Reserve Fund shall be transferred to the Bond Fund on or after each March 1 and September 1, unless the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, in which case earnings on the Reserve Fund shall be retained in the Reserve Fund until the amount on deposit therein equals the Reserve Fund Requirement.

Repair and Replacement Fund

The Repair and Replacement Fund shall be established with the Trustee. There shall be deposited into the Repair and Replacement Fund as and when received (a) all payments pursuant to the Financing Agreement, and (b) all other moneys deposited into the Repair and Replacement Fund pursuant the Indenture. There shall also be retained in the Repair and Replacement Fund, interest and other income received on investment of moneys in the Repair and Replacement Fund to the extent provided in the Indenture. Any amounts on deposit in the Repair and Replacement Fund in excess of the Repair and Replacement Fund Requirement shall be transferred by the Trustee to the Academy; provided, however, that the amount remaining in the Repair and Replacement Fund immediately after such transfer shall not be less than the Repair and Replacement Fund Requirement. Bondholders shall have no rights in or claims to money held in the Repair and Replacement Fund.

The Repair and Replacement Fund shall be in the custody of the Trustee, but in the name of the Academy. Absent an Event of Default hereunder, the Academy hereby authorizes and directs the Trustee to make each disbursement authorized or required by the provisions of the Indenture and to issue its checks therefor. The Trustee shall keep and maintain adequate records pertaining to the Repair and Replacement Fund and all disbursements therefrom and shall annually file an accounting thereof with the Academy.

Payments shall be made from the Repair and Replacement Fund upon receipt by the Trustee of a written requisition from an authorized representative of the Academy setting forth the amount and the payee for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Project (as defined in the Financing Agreement) in sound condition, including but not limited to replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment, architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto.

Investment of Funds

Any moneys held as part of the Project Fund, the Bond Fund and the Reserve Fund shall, subject to the provisions of the Nonarbitrage Certificate, be invested and reinvested by the Trustee in accordance with the oral directions of the Academy (promptly confirmed in writing) in Eligible Investments.

Amounts Remaining in Funds and Accounts

Any amounts remaining in the Project Fund, the Bond Fund, the Reserve Account and the Repair and Replacement Fund after full payment of the Bonds and the fees, expenses and other costs and amounts required to be paid under the Financing Agreement or the Indenture shall be paid by the Trustee to the Academy upon full payment of the Financing Agreement.

Events of Default and Remedies

Each of the following events is an “Event of Default” under the Indenture:

(a) Default in the due and punctual payment of interest, premium, if any, or principal on the Bonds, whether at the stated maturity thereof, or upon redemption, or upon the maturity thereof by declaration or otherwise; or

(b) The Authority shall default in the performance or observance of any other covenant, agreement or condition on its part in the Indenture or the Bonds, and continuance of such default for a period of 45 days after written notice thereof to the Authority and the Academy from the Trustee or the holders of not less than 51% in principal amount of the Bonds; provided, however, if such Default is such that it cannot be cured within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable and will not have a material adverse effect on the Bondholders or any of the security for the Series 2007 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected; or

(c) occurrence of an "Event of Default" under and as defined in the Financing Agreement.

Upon the occurrence and continuance of any Event of Default of which it has notice the Trustee may, and upon written request of the holders of not less than 51% in principal amount of the Bonds then Outstanding shall, enforce its rights by any one or more of the following remedies:

(i) Declare the entire principal of and accrued interest on the Bonds to be immediately due and payable;

(ii) Bring action at law or suit in equity upon the Bonds or under the Indenture;

(iii) Enforce its rights under the Financing Agreement, the Collateral Documents or any other security provided by the Academy; or

(iv) Pursue any other available remedy under the Bond Documents to enforce payment of the Bonds.

No remedy is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or Bondholders under the Indenture now or hereafter existing by law.

The Trustee shall give notice of any Default or Event of Default to the Authority and the Academy within 30 days after such Default or Event of Default becomes known to the Trustee.

In addition to and without limitation of the foregoing, the Trustee shall not otherwise acquire possession of or take any other action with respect to the property subject to the Mortgage (the “Mortgaged Property”), if as a result of any such action, the Trustee would be considered to hold title to, to be a “mortgagee-in-possession of, or to be an “owner” or “operator” of the Mortgaged Property within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended, from time to time, unless the Trustee has previously determined, based on a report prepared by a person who regularly conducts environmental audits, that:

(a) the Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best interest of the owners of the Bonds to take such actions as are necessary for the Mortgaged Property to comply therewith; and

(b) there are not circumstances present at the Mortgaged Property relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the owners of the Bonds to take such actions with respect to the Mortgaged Property.

The environmental audit report contemplated hereby shall not be prepared by an employee or affiliate of the Trustee, but shall be prepared by a person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee, and the cost thereof shall be borne by the Academy or the Bondholders but in no event by the Authority.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the Indenture shall be deposited in the Bond Fund. After payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities, and advances incurred or made by the Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees and expenses, and all other current outstanding fees and expenses of the Trustee, such moneys shall be applied in the order set forth below:

(a) Unless the principal on all Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First **-** To the payment of all installments of interest then due on the Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment; and

Second **-** To the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date.

Third **-** To the payment of any Bond Servicing Costs as the Trustee may be directed in writing by an authorized officer of the Authority.

(b) If the principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority as between principal or interest, installments of interest or Bonds, ratably according to the amounts due respectively for principal and interest to the persons entitled thereto.

(c) If the principal on all Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under the Indenture then, subject to paragraph (b) above in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) above.

Whenever moneys are to be applied pursuant to the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

Waivers of Events of Default

With the written consent of the holders of no less than 51% of the principal amount of Bonds then Outstanding, the Trustee may waive any Default or Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor or otherwise waived by such Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Bondholders' Rights to Direct Trustee and Remedies

If a Default occurs of which the Trustee is deemed to have notice, then the Trustee within 45 days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the Registered Owners of the Outstanding Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by written instrument filed with the Trustee (i) notify the Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Trustee shall be conclusively presumed to have such notice, (ii) request the Trustee to give written notice of a Default to the Academy or give such notice themselves as provided in the Indenture, (iii) as to any Event of Default, request the Trustee to exercise any of the remedies under the Indenture, upon which request, subject to right of indemnification, the Trustee shall exercise such remedy, (iv) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy, (v) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however, that there shall be no such waiver, rescission or termination unless all an-ears of principal and interest on the Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee, including the reasonable fees and expenses or its counsel, in connection with such Event of Default, shall have been paid or provided for, and (vi) request the Trustee to intervene in any judicial proceeding to which the Authority or the Academy is a party which may have substantial bearing on the interests of the holders of the Bonds, and subject to right of indemnification, the Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Trustee to exercise one or more applicable rights or remedies upon an Event of Default and shall reasonably indemnify the Trustee for all costs and expenses in the exercise of said rights and remedies as provided in the Indenture and the Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Bondholders shall have the right to exercise any and all applicable rights and remedies in the same manner as if the same had been instituted by the Trustee.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bonds of the respective holders thereof at the respective due dates thereof, but only if the Trustee has not taken similar action.

Discharge of Lien

Upon payment of the principal and interest on the Bonds (or if provision is made, in a manner satisfactory to the Trustee and Authority, to pay the principal, interest, and premium, if any, on the Bonds as the same become due through maturity or any earlier redemption for which proper notice may be given or waiver thereof obtained by the Trustee with cash or the proceeds of Government Obligations), performance by the Authority of all its obligations under the Indenture, and provision for any other material reasonably requested by the Trustee, the Security shall be released from the lien of the Indenture, the Indenture shall be discharged, and the Trustee shall deliver to the Authority or Academy any written instrument necessary to evidence such discharge and to the Academy any moneys in its possession in excess of the amounts to provide for payment of principal and interest on the Bonds and to pay any fees, costs or expenses of the Authority or the Trustee payable by the Academy pursuant to the Indenture. Any funds deposited with or paid to the Trustee pursuant to the Indenture for payment of principal of or interest on the Bonds and applied in accordance with the Indenture, but remaining unclaimed by the Bondholders for the period of time after which such funds are required to be escheated to the State of Michigan shall be escheated to the State of Michigan by the Trustee; and the Bondholder shall thereafter look only to the State for any payment which such Bondholder may be entitled to collect and may not look to the Trustee for such moneys.

Supplemental Indentures Not Requiring Consent of Bondholders

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, enter into a supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Indenture which do not materially adversely affect the interest of the Bondholders;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(d) To modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Trustee, separate trustees or co-trustees in the manner provided in the Indenture;

(f) To comply with the provisions of the Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds;

(g) To maintain the exclusion of interest on the Bonds from gross income for federal or State of Michigan income tax purposes;

(h) To make any other change which the Trustee and the Authority determine, in reliance on an opinion of Counsel, will not have a material adverse effect on Bondholders; or

To accomplish, implement, or give effect to any other action which is authorized or required by the Financing Agreement or the Indenture.

When requested by the Authority or the Academy, and upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent under the Indenture have been met, the Trustee shall join the Authority in the execution of any such supplemental indenture. A copy of all such supplemental indentures shall be promptly furnished to the Academy.

Supplemental Indentures Requiring Consent of Bondholders

Exclusive of supplemental indentures not requiring consent of Bondholders, the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental hereto as shall be consented to by the Authority, which consent shall not be unreasonably withheld, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing shall permit, or be construed as permitting (a) without the consent of the holders of all Bonds then Outstanding (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, any Bond, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) the creation of a lien prior to the lien of the Indenture, (v) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental indenture, or (b) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee. The giving of notice to and consent of the Bondholders to any such proposed supplemental indenture shall be obtained pursuant to the Indenture.

Anything herein to the contrary notwithstanding, a supplemental indenture, amendment or other document described under the Indenture which affects any rights or obligations of the Academy shall not become effective unless and until the Academy consents to the execution of such supplemental indenture, amendment or other document.

Notice to and Consent of Bondholders

If consent of the Bondholders is required under the terms of the Indenture for the amendment of the Indenture or the Financing Agreement for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first class mail to the last known holders of the Outstanding Bonds then shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice the holders of a majority or all, as the case may be, of the principal amount of the Bonds Outstanding by instruments filed with the Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed.

Periodic Academy Filings

The Trustee shall maintain a file (which may be in electronic form) of the Academy's quarterly filings of its unaudited financial and budget reports and its end-of-year unaudited financial reports on the operations of the Academy during its just completed fiscal year, each to the extent made with the Trustee as required by the Financing Agreement.

The Trustee shall maintain a file of any written requests for a copy of such reports, received by the Trustee from any Beneficial Owner of any Series 2007 Bond, which requests each must contain the Beneficial Owner's express representation and request to substantially this effect:

> 1. The undersigned represents to the Trustee, the Authority and the Academy that the undersigned currently owns $__________ aggregate principal amount of Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (Richfield Public School Academy Project), Series 2007 which the undersigned purchased from ____________________.
>
> 2. This is a continuing request to the Trustee to provide to the undersigned, at the address set forth below or such other address as we hereafter in writing tell the Trustee, a copy of each unaudited financial and budget report and end-of-year report of Richfield Public School Academy filed with the Trustee within the preceding 92 days and hereafter, until the undersigned in writing terminates this request or none of the Bonds is any longer outstanding.
>
> Address of the undersigned: ____
> ____
> ____

b. The Trustee shall honor each written request that it receives, as described above, in accordance with its terms.

Nothing in the Indenture imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine any such report received from the Academy, or to provide a copy of any such report to anyone who has not made a request therefor in the form prescribed above.

Requests to the Academy

The Trustee agrees that for as long as the Financing Agreement is in effect, if anyone who represents that it is a Beneficial Owner of a Series 2007 Bond by delivering to the Trustee a signed statement substantially to the effect of paragraph (1) above (a "Requesting Bondholder") requests the Trustee to request from the Academy, for and on behalf of such beneficial owner, access to information and the opportunity to ask questions and receive answers concerning the legal status, financial condition, student count and any other relevant matters which the Requesting Bondholder in its discretion determines is necessary regarding the Academy, the Trustee accordingly will make such request to the Academy. The Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Academy in response to such request.

Nothing in the Indenture imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine anything received from the Academy, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder.

Requests to Authorizing Body

The current authorizing body of the Academy is the Bay Mills Community College Board of Regents (which, or any subsequent authorizing body of the Academy, is below called the "Authorizing Body"). The Trustee agrees that for as long as the Financing Agreement is in effect:

(1) if pursuant to the Indenture the Trustee has, on behalf of a Requesting Bondholder, requested but been unable to receive such information from the Academy, then if the Requesting Bondholder further asks the Trustee to request such information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request; and

(2) if a Requesting Bondholder asks the Trustee to request any of the below- listed information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request:

(A) Quarterly or annual financial statements of the Academy;

(B) The initiation of proceedings by the Authorizing Body, including the issuance of notice to show compliance, to revoke or suspend the Academy's charter;

(C) Written notice received from the Academy regarding voluntary election to terminate its contract;

(D) Enrollment data; and

(E) Other monetary obligations of the Academy for which any of its state school aid payments are pledged.

Nothing in the Indenture imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Authorizing Body in response to any written request it receives from a Requesting Bondholder, or to examine anything received from the Authorizing Body, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder.

THE FINANCING AGREEMENT

Municipal Obligation and Acquisition of Project

The Financing Agreement sets forth the terms of the sale by the Academy of the Municipal Obligation to the Authority, the sale proceeds of which will be used by the Academy to acquire the Project. In the Financing Agreement, (i) the Authority agrees to pay to the Academy the full amount of the purchase price of the Municipal Obligation by depositing the same with the Trustee for application in accordance with the Indenture and, (ii) the Academy agrees to acquire the Project with the sale proceeds of the Municipal Obligation and to pay monthly Bond Payments on the Municipal Obligation at specified dates in specified amounts, as well as Additional Payments under the Financing Agreement.

Payment Provisions

The Academy agrees to pay to the Authority the Bond Payments and Additional Payments at specified dates in specified amounts. The Academy may only prepay Bond Payments with the approval of the Authority. The Academy additionally agrees that if any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund or if on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay to the Trustee Reserve Fund Payments for deposit into the Reserve Fund on the dates and in the amounts as described herein under the heading "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—The Reserve Fund" in the forepart of this Official Statement.

The Academy shall make all payments due under the Financing Agreement at the designated office of the Trustee. The Academy further agrees to deposit with the Trustee all payments due in immediately available funds.

Payment General Obligation

The obligation of the Academy to pay Bond Payments, Additional Payments and all other payments under the Financing Agreement is a general obligation of the Academy. The Academy agrees to include in its budget and pay each year, until the Financing Agreement is paid in full, such sums as necessary each year to make payments of the Bond Payments, Additional Payments and all other payments under the Financing Agreement or under the Mortgage.

State School Aid Pledge

The Academy pledges to pay its Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation and hereby or hereunder from its State School Aid to be allocated to it and payable to its Authorizing Body (the "Pledged State Aid"). Unless otherwise agreed to in writing by the Authority, an amount of each installment of State School Aid (such monies to be used to pay the Bond Payments and Additional Payments when due) as set forth on Exhibit A, which amount is approximately equal to 1/11 of the annual principal payments scheduled on the Series 2007 Bonds (the Scheduled Principal Component and the Set-Aside Component relating to principal) plus 1/11 (adjusted in the initial fiscal year to reflect interest accruing from the Closing Date) of the annual interest obligation (the Scheduled Interest Component and the Set-Aside Component relating to interest) plus 1/11 of the annual fees (the Scheduled Fee Payment Component) shall, pursuant to the agreement of the Authorizing Body, be transmitted directly by the State Treasurer to the Trustee commencing on or before July 20, 2007 and thereafter on or before the 20th of each January, February, March, April, May, June, July, August, October, November and December (each a "Payment Date"); provided however that if (i) applicable law changes to provide for a schedule of school aid payments materially different from that now in effect, or (ii) the Academy with the prior written consent of the Authority and all of the holders of the Series 2007 Bonds and receipt of a Favorable Opinion of Bond Counsel as to the adjusted schedule of optional redemption of the Series 2007 Bonds, may agree to a different schedule of optional redemption of the Series 2007 Bonds, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Authorizing Body may designate different payment dates or amounts to provide for timely receipt of Bond Payments and Additional Payments consistent with such changes which shall thereupon be and become the "Payment Dates" hereunder. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Payment shall be due on the prior Business Day. The Bond Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment. If, for any reason, the State School Aid allocated to the Academy during the month of the payment is insufficient to pay the Bond Payment and Additional Payment, if any, then in that event the Academy pledges to use any and all other available funds to meet the Bond Payment obligation and Additional Payment obligation, if any. If on any due date for any Bond Payment or Additional Payment the funds with the Trustee are insufficient to pay the Bond Payment and Additional Payment, if any, then the Academy, pursuant to Section 17a(3) of the School Aid Act to the extent necessary to meet the payment obligation assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the School Aid Act; and in such event pursuant to Section 17a(3) of the School Aid Act, the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be distributed to the Authorizing Body with respect to the Academy. Notwithstanding the foregoing, however, the amount to be applied by the Trustee to Bond Payments and Reserve Fund Payments hereunder and any other debt service payments on other obligations of the Academy in any Academy Fiscal Year shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such Academy Fiscal Year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the Bond Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose, (ii) any other amounts owing to the Authority under this Agreement, (iii) an amount equal to the Scheduled Fee Payment Component shall be retained by the Trustee as provided under the Indenture and (iv) to the extent in excess of the amount required under (i) through (iii) above, any amounts remaining to be immediately distributed to or at the direction of the Academy. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Bond Payments and Additional Payments. Section 17a(3) of the School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and such appropriation shall not be construed as creating an indebtedness of the State.

The above-described pledge of State Aid is subject to the reservation by the Academy of the right to make additional pledges of State Aid to secure other obligations as provided in the Financing Agreement. (See "LIMITATION ON ADDITIONAL INDEBTEDNESS" in the forepart of this Official Statement.)

Assignment by Authority

The Academy consents to any assignment at any time made by the Authority of the Authority's rights under the Financing Agreement and acknowledges that no further action or consent by the Academy is necessary to effectuate such an assignment.

Obligations of Academy Unconditional

The obligation of the Academy to pay the Bond Payments, Additional Payments and all other amounts required by the Municipal Obligation and the Financing Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Series 2007 Bonds have been fully paid (or provision made therefor) in accordance with the Indenture, the Academy (i) shall not suspend or discontinue any Bond Payments or Additional Payments, (ii) shall perform and observe all of its other obligations contained in the Municipal Obligation and the Financing Agreement, and (iii) shall not terminate the Financing Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Project, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of any part of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Michigan or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with the Financing Agreement. The Bond Payments are intended to be sufficient for the payment in full of the Series 2007 Bonds, including (i) the total interest to become due and payable on the Series 2007 Bonds to the dates of payment thereof, (ii) the total principal amount of the Series 2007 Bonds, (iii) the redemption premiums, if any, that shall be payable on the redemption of the Series 2007 Bonds prior to their stated payments dates, and (iv) all additional interest, additional principal and any other amounts payable to the Trustee as and when required by the Series 2007 Bonds or the Financing Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Trustee or the Authority it shall then immediately pay the amount of the deficiency to the Trustee on behalf of the Authority. These obligations of the Academy shall survive the termination of the Financing Agreement.

Taxes and Other Costs

The Academy shall promptly pay when due all lawful taxes and governmental charges of any kind whatsoever, including income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Project, the Financing Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

Insurance

The Academy shall continuously insure, or cause to be insured, against such risks and in such amounts with respect to the Project as are generally insured against by businesses of like size and character, including at least, but not limited to:

(a) All risk property insurance to the extent of the full insurable value of the Project (recognizing that certain portions thereof may not be exposed to certain risks) including without limitation coverage for loss or damage by fire, with standard extended coverage, vandalism and malicious mischief endorsements.

(b) Public liability insurance with reference to the Project with limits of not less than $1,000,000 for bodily injury or death per occurrence and $1,000,000 for property damage per occurrence and with aggregate combined limits of not less than $2,000,000.

(c) Workers' compensation insurance, if required under Michigan law, or a program of self-insurance complying with the requirements of Michigan law.

(d) Builder's all risk insurance during the course of the construction of the Project and during the course of any other construction, renovation or similar undertaking with respect to property covered by the Mortgage.

(e) Business interruption insurance covering actual loss in operating revenues in an amount not less than $1,000,000.

All required insurance policies shall be with qualified insurance companies under Michigan law and may be written with exceptions and exclusions comparable to those in similar policies carried by other businesses engaged in public education and located in the State of Michigan. Hazard and public liability insurance policies shall name the Authority and the Trustee as additional insureds as their interests may appear, and the Trustee shall also be named as mortgagee and loss-payee. All insurance claims may be adjusted by the Academy only, subject to the written approval of the Trustee, which approval shall not be unreasonably withheld, and all insurance proceeds for loss or damage to the Project shall be payable to the Trustee for deposit in the Bond Fund or the Project Fund in accordance with the provisions of the Indenture. The Academy shall provide the Authority and the Trustee with certificates of the respective insurers specifying that the required insurance is in force and effect and shall not expire or be canceled or materially modified except upon thirty (30) days' prior written notice to the Academy, the Authority and the Trustee. All insurance claims may be adjusted by the Academy only, and all insurance proceeds for loss or damage to the Project shall be payable to the Trustee for deposit in the Bond Fund or the Project Fund in accordance with the provisions of the Financing Agreement. Prior to the Closing Date and annually thereafter, the Academy shall provide the Authority and the Trustee with certificates of the respective insurers specifying that the required insurance is in force and effect and shall not expire or be canceled or materially modified except upon thirty (30) days' prior written notice to the Academy, the Authority and the Trustee.

Application of Insurance and Condemnation Proceeds

In the event (i) the Project is damaged or destroyed, or (ii) failure of title to all or part of the Project occurs or title to or temporary use of the Project is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy shall elect in writing whether to restore all or part of the Project or to prepay the Financing Agreement. The Academy may only restore all or part of the Project if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Series 2007 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Academy chooses to restore all or part of the Project, the Trustee shall deposit the proceeds of such condemnation or insurance in the Project Fund, which shall be reactivated and drawn down in the same manner as provided for the Project Fund in the Financing Agreement. If the Academy shall elect to restore the Project, it shall proceed to do so with reasonable dispatch. If the Project shall have been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Project may not be reasonably restored within a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee) to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee), or if the cost of restoring the Project is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Project, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2007 Bonds.

Reports and Access to Projects

The Academy further covenants and agrees that it has, with the permission of any applicable third parties, placed on file with the Trustee a current property survey of the Project, together with an Updated Phase I Environmental Site Assessment performed by AKT Peerless Environmental Services, Saginaw, Michigan.

Subject to reasonable security and safety regulations, the Authority and the Trustee and the respective duly authorized agents of each shall have the right at all reasonable times to enter the Project and to examine and inspect the same.

Disposition of Assets

During the term of the Financing Agreement, and except as otherwise provided by below under the heading "Academy to Maintain Existence", the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Covenant as to Non-Impairment of Tax-Exempt Status

Notwithstanding any other provision or any rights of the Academy under the Financing Agreement, the Academy covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Series 2007 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Series 2007 Bond proceeds and moneys deemed to be Series 2007 Bond proceeds, all as more fully set forth in the Nonarbitrage Certificate.

Academy to Maintain Existence

The Academy covenants and agrees that for so long any Series 2007 Bonds remain outstanding under the Indenture, it shall maintain its existence as a “public school academy” under Michigan law and shall continue to operate its facilities located at the Site as a public school which will produce sufficient available revenues to pay the Bond Payments and Additional Payments and all other amounts due and owing by the Academy under the Municipal Obligation and the Financing Agreement. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Site and obtain from the Trustee a release and discharge of the Mortgage with respect thereto upon (a) prepayment in full of the Bond Payments and Additional Payments and (b) filing a favorable Opinion of Bond Counsel that such prepayment and release will not adversely affect the exclusion of interest on the Series 2007 Bonds from gross income for federal income tax purposes.

Maintenance, Repair and Modification

The Academy shall cause the Project to be used for the purposes described in the Financing Agreement throughout the term of the Financing Agreement. The Academy does not know of any reason why the Project will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the Project for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Bond Payments and the Additional Payments under the provisions of the Financing Agreement.

The Academy agrees that it will keep the Project in good repair and good operating condition, ordinary wear and tear expected, at its own cost.

The Academy may remodel the Project or make additions, modifications and improvements to the Project from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements (i) do not materially and adversely alter the scope, character, value or operation of the Project without the prior written consent of the Trustee or 100% of the holders of the Series 2007 Bonds, (ii) do not impair the exclusion of interest on the Series 2007 Bonds from gross income for federal income tax purposes and (iii) do not contravene the provisions of the Enabling Legislation.

Limitation on Incurrence of Additional Indebtedness

The Academy covenants and agrees that, without the prior written consent of the Trustee, at the direction of the holders of 51% of the Outstanding Series 2007 Bonds, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur pecuniary obligations, except the following:

(a) obligations incurred in the ordinary course of business;

(b) state aid notes (including state aid note lines of credit) issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended; and

(c) other indebtedness incurred or guaranteed by the Academy in accordance with applicable law related to capital acquisitions provided that the aggregate maximum annual debt service on such indebtedness, in any fiscal year, together with the applicable Scheduled Bond Payment hereunder for such year, and any other debt service payment on other obligations of the Academy, shall not exceed 20% of the amount of State School Aid payable to the Academy by the State in such fiscal year. *For purposes of computing future projections of State School Aid, the amount of State School Aid expected to be paid to the Academy for the Academy's current fiscal year computed using the number of students certified as of the September count date of the current fiscal year shall be used.*

(d) Notwithstanding the foregoing, the Academy covenants and agrees that the amount of State School Aid to be received by the Academy shall be at least the total of the Bond Payments, Additional Payments and all payments on such other Obligations to which State School Aid has been pledged due in such fiscal year.

Minimum Fund Balance Requirement

So long as the Series 2007 Bonds are outstanding, the Academy agrees to:

(a) maintain an unrestricted general fund balance as a percentage of its Operating Expenses according to the following:

(i) Such percentage shall be 5.0% for any Academy Fiscal Year if, in the Academy's Fiscal Year immediately preceding such fiscal year, the total of the Scheduled Bond Payment plus any lease-purchase or loan payment obligations of the Academy (excluding Short-Term Debt), were equal to or less than 10% of State School Aid for the fiscal year;

(ii) Such percentage shall be 7.5% for any Academy Fiscal Year if, in the Academy's Fiscal Year immediately preceding such fiscal year, the total of the Scheduled Bond Payment plus any similar lease-purchase or loan payment obligations of the Academy (excluding Short-Term Debt) were greater than 10% but less than 15% of State School Aid for the fiscal year; and

(iii) Such percentage shall be 10.0% for any Academy Fiscal Year if, in the Academy's Fiscal Year immediately preceding such fiscal year, the total of the Scheduled Bond Payment plus any similar lease-purchase or loan payment obligations of the Academy (excluding Short-Term Debt), were greater than 15% of State School Aid for the fiscal year.

(b) maintain cumulative unrestricted cash reserves and/or access to Short-Term Debt sufficient to meet all accrued and unrestricted salary obligations of the Academy.

Each of the fund covenants made above shall be tested as of June 30 of each Academy Fiscal Year based on the results of the annual audit of the Academy. If on any testing date the Academy's minimum fund balance is below that required, the Academy shall retain on an annual basis a minimum of 50% of the Excess Net Revenues until such time as the Academy is in compliance with the minimum fund balance requirement, provided however that the Academy is not required to retain an amount which would cause them to exceed the minimum fund balance requirement.

If the Academy is unable to comply with the above fund balance requirements within 24 months of the initial non-compliance, the Bondholders of 2/3rds of the Outstanding Bonds shall have the right to direct the Trustee to require the Academy to engage, at the Academy's expense, a Management Consultant acceptable to the Trustee, which shall deliver a written report within 60 days of engagement to the Trustee and the Board of the Academy containing recommendations concerning the Academy's:

(i) operations;

(ii) financing practices and activities, including Short-Term Debt, lease financing, and investment activities;

(iii) management practices, including the use of consultants, budgeting practices, and ongoing financial systems and monitoring of the Academy's financial condition;

(iv) governance and administration practices; and

(v) other factors relevant to maintaining compliance with the fund balance requirements.

Upon submission of the Management Consultant's report, the Academy's Board shall arrange for payment of the amount owed to the Management Consultant and issue a written certificate to the Trustee indicating its acceptance or rejection of all or any material portion of the recommendations of the Management Consultant within 30 days of receiving the report of the Management Consultant. The Bondholders of 2/3rds of Outstanding Bonds shall have the right to require the Board of the Academy to comply with any reasonable recommendation of the Management Consultant with respect to items (i) through (v) above.

Events of Default

Any one or more of the following events is an Event of Default under the Financing Agreement:

(a) Failure by the Academy to make a Bond Payment under the Municipal Obligation when due;

(b) Failure by the Academy to make an Additional Payment hereunder when due;

(c) Failure by the Academy to observe and perform any other obligations in this Agreement, or in any other related or Collateral Documents on its part to be observed or performed for a period of forty-five days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Trustee; provided, however, that if said Default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable without material adverse effect on the Series 2007 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected, provided further, however, that a violation of the above fund balance covenants is not an Event of Default under the Financing Agreement or the Indenture.

(d) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under this Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 60 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy are consented to by it or remain undismissed for 60 days; or an order for relief is entered in any bankruptcy proceeding.

(e) If any representation or warranty made by the Academy in any document delivered by the Academy to the purchaser(s) of the Series 2007 Bonds, the Trustee or the Authority in connection with the issuance, sale and delivery of the Series 2007 Bonds is untrue in any material respect.

(f) If the Academy shall default under any other agreement for payment of money in excess of $25,000 and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under this Agreement except as shall be permitted under this Agreement, provided, however, that the Academy shall not be in default if it is contesting in good faith any default under any such other agreement for the payment of money and, with respect to construction liens, has bonded over such lien to the satisfaction of the Trustee, unless in the estimation of the Trustee the security of the Trustee under this Agreement is materially endangered.

(g) The occurrence of an Event of Default under the Indenture.

(h) The loss of its charter or the failure of the Academy to have its charter renewed, unless a charter from another authorizing body is received on or before the effective date of revocation or nonrenewal and a state aid agreement in form and content the same as the agreement executed in connection herewith is executed by such new authorizing body on or before the effective date of revocation or nonrenewal.

The term “Default” shall mean Default by the Academy in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Agreement, exclusive of any period of grace required to constitute an Event.

The Defaults described in subsection (c) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (c), the Academy shall not be deemed to be in breach or violation of this Agreement or in default during the continuance of such inability. The term “force majeure” as used herein shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State of Michigan or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the Project; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event other than financial inability not reasonably within control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the

Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Remedies upon an Event of Default

Whenever any Event of Default shall have occurred and be continuing, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under the Financing Agreement (i.e. Bond Payments, Additional Payments and all other payments required by the Financing Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the Project, the Site or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the security interests granted in the Financing Agreement; and/or

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Trustee.

No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under the foregoing remedies shall be paid into the Bond Fund and applied in accordance with the Indenture, except amounts collected for the benefit of the Authority to pay certain Fee Payments owing to the Authority under the Financing Agreement which shall be paid to or retained by the Authority.

Non-Liability of Authorizing Body

The Authorizing Body has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Authorizing Body, including the administrative fee deducted by the Authorizing Body from the state school aid payments received by the Authorizing Body for the Academy.

Academy Bound by Indenture

The Academy agrees to be bound by the terms of the Indenture applicable to it, and agrees not to take any action which would cause the Authority or the Trustee to violate the terms of the Indenture.

No Personal Liability of the Officers or Directors of the Academy.

No officer or director of the Academy shall have any personal liability for the Academy's indebtedness, obligations and liabilities under the Financing Agreement, provided that this limitation on liability shall not release any officer or director of the Academy from any personal liability for his or her own fraudulent actions or omissions.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building
Lansing, Michigan 48909

We have acted as bond counsel to the Michigan Public Educational Facilities Authority (the "Authority"), in connection with the issuance by the Authority of its Limited Obligation Revenue Bonds (Richfield Public School Academy Project), Series 2007 in the aggregate principal amount of $6,435,000 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are authorized to be issued by Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227, Public Acts of Michigan, 1985, as amended, and the Michigan Strategic Fund Act, Act No. 270, Public Acts of Michigan, 1984, as amended (collectively the "Enabling Legislation"), a bond authorizing resolution adopted by the Authority on May 11, 2007 (the "Bond Resolution") and a Trust Indenture dated as of June 1, 2007 (the "Indenture") between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee") for the purpose of providing funds which will be used to (i) purchase the Municipal Obligation, dated as of June 1, 2007 (the "Municipal Obligation") of the Richfield Public School Academy, a public school academy organized under the laws of the State of Michigan (the "Academy"), evidenced by a Financing Agreement dated as of June 1, 2007 (the "Financing Agreement") between the Academy and the Authority; (ii) make a deposit to a reserve fund for the Bonds; and (iii) pay costs of issuance of the Bonds. The Academy will use the proceeds of the Bonds to acquire its current facility, acquire additional land and to construct, equip and furnish an addition to the Academy's facility.

Under the Financing Agreement, the Academy has agreed to make Bond Payments to be used to pay when due the principal of, premium (if any) and interest on the Bonds. Such Bond Payments and other payments and revenues under the Financing Agreement (collectively, the "Security") and the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Authority to the Trustee as security for the Bonds pursuant to the Indenture. The Bonds are payable solely from the Security.

As additional security for the Bonds, the Academy will execute and deliver a mortgage agreement (the "Mortgage") in favor of the Trustee whereby the assets financed with the proceeds of the Bonds will be pledged to the Trustee to secure the Academy's obligations under the Financing Agreement. We note that various issues concerning the enforceability of the Mortgage are addressed in the opinion of Collins & Blaha, P.C., counsel to the Academy, provided to the Authority, and we express no opinion herein as to the validity or enforceability of the Mortgage or any of the liens created thereby.

With respect to the valid existence of the Academy as a Michigan public school academy, the power of the Academy to enter into and perform its obligations under the Financing Agreement and other documents to which it is a party, the due authorization, execution and delivery of the Financing Agreement and the other documents to which the Academy is a party and the validity and enforceability of them against the Academy, we refer you to the opinion of Collins & Blaha, P.C., counsel to the Academy, dated the date of this letter and addressed to the Authority, which opinion we have relied upon in rendering our opinion.

We have assumed the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Indenture, and the Academy of the Financing Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Academy contained in the Financing Agreement and the Indenture, the certified proceedings and other certifications of public officials and others furnished to us, including a nonarbitrage and tax compliance certificate of the Authority and the Academy and certifications furnished to us by or on behalf of the Authority and the Academy, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Authority is a public body corporate and politic validly existing under the laws of the State of Michigan with the power to enter into and perform the Indenture and the Financing Agreement and issue the Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms. The Indenture creates a valid lien on the Security and on the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees).

3. The Bonds have been duly authorized, executed and delivered by the Authority, and are valid and legally binding limited obligations of the Authority, payable solely from the Security.

4. The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax imposed on such corporations. This opinion is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements to the extent permitted by law. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

5. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion regarding (i) the accuracy, adequacy or completeness of any disclosure document relating to the Bonds or (ii) the perfection or priority of the lien on the Security or other funds created by the Indenture. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than an expressly set forth herein.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

CLARK HILL PLC

APPENDIX F

FORM OF OPINION OF ATTORNEY GENERAL

Michigan Public Educational Facilities Authority
Richard H. Austin State Building
Lansing, Michigan 48909

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of bonds designated MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY LIMITED OBLIGATION REVENUE BONDS (RICHFIELD PUBLIC SCHOOL ACADEMY PROJECT), SERIES 2007 in the aggregate principal amount of $6,435,000 (the "Bonds"):

(1) Executive Order 2002-3, the Shared Credit Rating Act, 1985 PA 227, as amended, and the Michigan Strategic Fund Act, 1984 PA 270, as amended, (the "Enabling Legislation") which collectively, created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Authority on May 11, 2007 authorizing the issuance of the Bonds (the "Resolution");

(3) an executed counterpart of the trust indenture dated as of June 1, 2007 (the "Indenture"), entered into between the Authority and Wells Fargo Bank, N.A. as trustee (the "Trustee");

(4) an executed counterpart of the financing agreement dated as of June 1, 2007 (the "Financing Agreement") entered into by the Authority and Richfield Public School Academy, a Michigan public school academy (the "Academy");

(5) a Nonarbitrage Certificate of the Authority;

(6) one Bond, as executed, or a specimen thereof; and

(7) one bond issued by the Academy (the "Municipal Obligation").

The Bonds are being issued for the purpose of (i) purchasing the Academy's Municipal Obligation as evidenced by the Financing Agreement; (ii) fund a debt service reserve fund; (iii) pay capitalized interest, and (iv) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation. The Academy will use the proceeds of the Bonds to acquire and equip a certain public school facility in the City of Flint, County of Genesee, Michigan.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds.

The Academy will execute and deliver a mortgage from the Academy (the "Mortgage") in favor of the Trustee as additional security for the Bonds.

In rendering this opinion, I have relied upon the opinion, dated today, of Collins & Blaha, P.C. counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability of the Financing Agreement, the Municipal Obligation, the Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a public school academy under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code")) and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.

2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority. The Indenture has been duly authorized, executed, and delivered by the Authority and constitutes a valid and binding agreement of the Authority enforceable in accordance with its terms.

3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.

4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

5. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely yours,

MIKE COX
Attorney General

____
Assistant Attorney General

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Assistant Attorney General

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

$6,435,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(RICHFIELD PUBLIC SCHOOL ACADEMY PROJECT), SERIES 2007

THIS CONTINUING DISCLOSURE AGREEMENT ("Agreement") is executed by and between Richfield Public School Academy (the "Academy") and Wells Fargo Bank, N.A. (the "Trustee") in connection with the issuance of the Limited Obligation Revenue Bonds (Richfield Public School Academy Project), Series 2007 (the "Bond" or "Bonds") by the Michigan Public Educational Facilities Authority. In such connection, the Academy and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Agreement is being executed and delivered by the Academy for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule. The Academy acknowledges that this Agreement does not address the scope of any application of Rule 10b-5, promulgated by the SEC pursuant to the 1934 Act, to the Annual Reports or notices of the Listed Events provided or required to be provided by the Academy pursuant to this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

(a) "Annual Report" shall mean any annual report provided by the Academy pursuant to, and as described in, Sections 3(a) and 4 of this Agreement.

(b) "Authorizer" means Bay Mills Community College or successor authorizer.

(c) "Bondholder" means the registered owner of a Bond or any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

(d) "CPO" means the Central Post Office disclosure facility, which allows municipal issuers to voluntarily file secondary market disclosure documents through the website located at URL www.DisclosureUSA.org.

(e) "Dissemination Agent" means any agent responsible, if any, for assisting the Academy in carrying out the obligations of the Academy under this Agreement.

(f) "Indenture" means the Trust Indenture dated June 1, 2007, between the Academy and the Trustee, pursuant to which the Bonds are issued.

(g) "Interim Report" shall mean any annual report provided by the Academy pursuant to, and as described in, Sections 3(b) and 4 of this Agreement.

(h) "Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

(i) "MSRB" shall mean the Municipal Securities Rulemaking Board (ww1.msrb.org).

(j) “National Repository” shall mean any nationally recognized Municipal Securities Information Repository for purposes of the Rule. A current list of the National Repositories can be found at the U.S. Securities and Exchange Commission website (www.sec.gov/info/municipal/nrmsir.htm).

(k) “1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

(l) “Official Statement” shall mean the final Official Statement for the Bonds dated June 7, 2007.

(m) “Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

(n) “Repository” shall mean each National Repository and each State Repository.

(o) “Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

(p) “SEC” shall mean the Securities and Exchange Commission.

(q) “State” shall mean the State of Michigan.

(r) “State Repository” shall mean any public or private repository or entity designated by the State of Michigan as a state repository for the purpose of the Rule and recognized as such by the SEC. Currently, the following is the State Repository:

Municipal Advisory Council of Michigan
1445 First National Building
660 Woodward Avenue
Detroit, Michigan 48226-3517
Tel: (800) 337-0696
Fax: (313) 963-0943
www.macmi.com

SECTION 3. Provision of Annual and Interim Reports.

(a) *Annual Reports.* Each year, the Academy shall provide or cause to be provided, or shall cause the Dissemination Agent to provide or to cause to be provided, on or prior to the 120th day after the end of the fiscal year of the Academy commencing with the fiscal year ending June 30, 2007, to each Repository, an Annual Report for the preceding fiscal year which includes all annual information pertinent to such fiscal year of the type specified in Section 4 of this Agreement.

(b) *Interim Reports.* The Academy shall also provide, or shall cause the Dissemination Agent to provide or cause to be provided, simultaneously with its delivery to the Authority and the Trustee under Section 703 of the Financing Agreement, and in no event later than 10 days after the time specified for such delivery in such section, to each Repository, all documents required to be provided pursuant to such section not otherwise previously provided in an Annual Report (each an "Interim Report").

Currently, the Academy's fiscal year ends on June 30. So long as the SEC continues to authorize the use of the CPO by issuers of municipal securities who make continuing disclosure filings pursuant to the Rule, submission of an Annual Report, Interim Report or other disclosures by the Academy or the Dissemination Agent to the CPO shall fulfill the Academy's obligations under this Section 3. In each case, the Annual Report and Interim Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Agreement; provided, however, that if the audited financial statements of the Academy are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the financial statements contained in the Official Statement shall be included in the Annual Report.

(c) If the Academy is unable to provide to the Repositories any Annual Report by the date required in subsection (a), the Academy shall send a notice in a timely manner to each National Repository or the MSRB, and to the State Repository.

(d) If the Academy's fiscal year changes, the Academy shall send a notice of such change to each National Repository or the MSRB, and to the State Repository. If such change will result in the Academy's fiscal year ending on a date later than the ending date prior to such change, the Academy shall provide notice of such change to each National Repository or the MSRB, and the State Repository on or prior to the deadline for filing the Annual Report in effect when the Academy operated under its prior fiscal year. Such notice may be provided to each National Repository or the MSRB, and to the State Repository along with the Annual Report, provided that it is filed at or prior to the deadline described above.

SECTION 4. Content of Annual and Interim Reports. The Academy's Annual Reports and Interim Reports shall contain copies of all reports and information provided to the Authority and the Trustee pursuant to Section 703 of the Financing Agreement, at the time specified therein, to wit:

(a) *Annual Reports:*

Audited financial statements for the fiscal year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility.

(b) *Interim Reports:*

(i) *Financial and Miscellaneous Reports*:

(1) simultaneously with delivery to its Authorizer, a copy of the Academy's adopted annual budget for the present school year;

(2) simultaneously with delivery to the Authorizer, a copy of revisions, if any, to the Academy's annual budget as approved by its governing board;

(3) unaudited financial statements for the previous quarter reflecting revenues and expenses in comparative form with the Academy's operating budget, simultaneously with delivery to the Authorizer but in no event later than 30 days after the end of such previous quarter;

(4) simultaneously with delivery to the Authorizer, a copy of the audited financial statements of the Academy for such School Year, together with a copy of any management letter delivered by the auditors in connection with such financial statements; and

(5) a copy of any report or notification required under the charter contract with the Authorizer regarding a violation or possible violation of the terms of the charter contract which would give grounds for the Authorizer to begin the revocation process, as well as any response by the Academy required under the terms of the charter contract with the Authorizer, simultaneously with receipt by the Academy from the Authorizer, but in no event more than 30 days after receipt of any such report or notification.

(b) *Test Scores.* Within 30 days of receipt by the Academy, the results of any nationally recognized achievement test required by federal or State testing authorities

(c) *Enrollment Reports.* Simultaneously with its delivery to the Authorizer or the Michigan Department of Education, a copy of each report on enrollment, headcount, membership, attendance and similar statistics provided to the Michigan Department of Education.

(d) *Construction Reports.* Within two weeks of submission to the board of directors of the Academy, a copy of any construction progress reports related to the Project (as defined in the Indenture) until its completion.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Academy or related public entities, which previously have been provided to each of the Repositories or filed with the SEC. If the document included by specific reference is a final official statement, it must be available from the MSRB. The Academy shall clearly identify each document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Academy covenants to provide, or cause to be provided, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material, in accordance with the Rule:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bondholders;
8. Bond calls;
9. Defeasance;
10. Release, substitution, or sale of property securing repayment of the Bonds; or
11. Rating changes.

(b) Whenever the Academy obtains knowledge of the occurrence of a Listed Event, the Academy shall as soon as possible determine if such event would constitute material information for the Bondholders, provided that any event under Section 5(a)(l), (8), (9), (10) or (11) above (only with respect to any change in any rating on the Bonds) will always be deemed to be material.

(c) The Academy shall promptly cause a notice of the occurrence of a Listed Event, determined to be material in accordance with the Rule, to be filed with the MSRB and with the State Repository, together with a Material Event Notice Cover Sheet. A sample Information Cover Sheet and instructions for filing the Material Event Notice can be found at the MSRB Website (www.msrb.org). In connection with providing a notice of the occurrence of a Listed Event described in Section 5(a)(9) above, the Academy shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) The Academy acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Agreement may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Academy is liable.

(e) The Academy acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Academy does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Academy's obligations under this Agreement shall terminate upon the legal defeasance of the Bonds or the prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Academy: (i) receives an opinion of nationally recognized bond counsel, addressed to the Academy, to the effect that those portions of the Rule, which require such provisions of this Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion; and (ii) delivers notice to such effect to the MSRB, and to the State Repository, if any.

SECTION 7. Dissemination Agent. The Academy, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Academy pursuant to this Agreement, but shall be responsible for disseminating notices and reports provided to it, including any additional information provided pursuant to Section 11 hereof. The Trustee may withdraw from this Agreement upon 30 days' notice to the Academy. Notwithstanding anything to the contrary herein, the Dissemination Agent shall not be responsible for any determination as to the adequacy of the contents or format of any Annual Report, and as to the materiality of any Listed Event.

SECTION 8. Compensation. The Academy hereby agrees to compensate the Dissemination Agent for the services provided and the expenses incurred pursuant to this Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent hereunder (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement. The Dissemination Agent may rely conclusively as to the truth of the statements and correctness of opinions provided to it, which conform to the requirements of this Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, including without limitation any written direction signed by the Academy. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Academy.

The Academy agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder or in the exercise of any of its rights or powers. The obligations of the Academy under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 10. Amendment. Notwithstanding any other provision of this Agreement, the Academy and the Trustee may amend, and any provision of this Agreement may be waived only to the effect that:

(a) Such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the Academy, or the types of business in which the Academy is engaged;

(b) This Agreement as so amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, in the opinion of independent legal counsel; and

(c) Such amendment or waiver does not materially impair the interests of the Bondholders, in the opinion of independent legal counsel.

If the amendment or waiver results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. If the amendment or waiver involves a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared based on the new accounting principles and those prepared based on the former accounting principles. The comparison should include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison should also be quantitative. A notice of the change in the accounting principles should be sent by the Academy to each National Repository or the MSRB and to the State Repository. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

SECTION 11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Academy from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement.

If the Academy chooses to provide such or other additional information, or to include additional information in any Annual Report or Interim Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Academy shall have no obligation under this Agreement to update such information, to continue to provide it, or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 12. Default. In the event of a failure of the Academy to comply with any provision of this Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Academy to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Bonds, and the sole remedy under this Agreement in the event of any failure of the Academy to comply with the Agreement shall be an action to compel performance.

SECTION 13. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement.

SECTION 14. Beneficiaries. This Agreement shall inure solely to the benefit of the Academy, the Dissemination Agent, the Participating Underwriter, and the Bondholders and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

EXECUTED and delivered as of the date set forth below.

RICHFIELD PUBLIC SCHOOL ACADEMY

By: ____
Its: ____

WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE

By: ____
Its: ____

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